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Chernenko Named Soviet Party Leader



Lebanese Army soldiers manned a rooftop position at the edge of Beirut port area Monday.

Gemayel Is Reported to Link Israeli Pact and Geneva Talks

By Thomas L. Friedman

New York Times Service

BEIRUT — President Amin Gemayel has told his opponents that if they agree to participate in another Geneva conference he will be ready to consider the abrogation or renegotiation of the May 17 Israeli-Lebanese withdrawal accord, officials close to the negotiations say. "We are not going to do anything unilaterally," a senior government official said Sunday. "The president is telling the opposition: let's all go back to Geneva to discuss the issue of foreign forces. We take a collective decision to venerate or demand renegotiation of the May 17 accord, then so be it."

"The main point is to get all foreign forces out, and if the collective decision is that abrogating the agreement will get us some-thing, then we are prepared to do it," the senior official said. "We are prepared to consider any alterna-

tives. But the decision and the responsibility must be a collective one."

Earlier this month, Mr. Gemayel included a call for a resumption of the Geneva talks when he issued an eight-point proposal for the creation of a new government.

U.S. support is still firm, President Gemayel says. Page 5.

This came after the resignation of the Moslem prime minister, Shafiq al-Wazzan, and his nine-member cabinet. Mr. Gemayel made no mention of the possible abrogation of the accord with Israel.

In an informal meeting with Western reporters Sunday, Mr. Gemayel said:

"That is the main issue we are working on. I said since the beginning that the May 17 agreement was not the objective. The most important goal is the withdrawal of the foreign forces, and now we are

trying to find the solution for that. We hope we will be able to find a solution soon."

The Israeli cabinet formally told Lebanon on Sunday that if the agreement were to be abrogated, Israel would keep its troops in south Lebanon indefinitely.

But many Lebanese political figures no longer seem impressed by the Israeli threat.

"Whether there is an agreement, or not, the Israelis are going to act according to their own security needs," said Elias Saba, a former cabinet minister and member of the Opposition Salvation Front. "So why shouldn't we at least gain the internal benefits of setting the agreement aside or demanding to renegotiate it and thus enable the government and opposition to go on and discuss all of the other issues between them?"

A former prime minister who is a Sunni Moslem said: "What is the worst thing the Israelis can do to us? Invade? They have already done that. Stay in the south? They will anyway. Cause chaos in the south? There is already chaos everywhere and no one will notice a little more right now."

The May 17 agreement called for the withdrawal of Israeli troops from Lebanon in exchange for Lebanese security guarantees and economic and diplomatic ties. The Israelis signed a side letter to the agreement with Washington that said they would not have to implement the withdrawal until the Syrians agreed to do the same.

Since the Syrians refuse to withdraw, the agreement was paralyzed from the start and the Lebanese

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U.S. Urges Russian to Meet Bush

By Fred Harris

International Herald Tribune

WASHINGTON — The Reagan administration, calling for "greater mutual understanding and constructive cooperation" between the Soviet Union and the United States, said on Monday that it would welcome a meeting now between Vice President George Bush and the new Soviet leader, Konstantin U. Chernenko.

The White House spokesman, Larry M. Speakes, said that any eventual summit meeting between Mr. Chernenko and President Ronald Reagan, however, must be "well prepared" and would depend on "reasonable promise for success in results."

Those were the criteria that Mr. Reagan used previously in discussing the possibility of meeting President Yuri V. Andropov, who died Thursday.

Mr. Speakes said that Mr. Bush, who heads the U.S. delegation to the Andropov funeral, would "stress our commitment to peace and, in particular, to the search for mutually acceptable agreements" in his discussions with Soviet officials.

Although no meeting with Mr. Chernenko is on Mr. Bush's schedule now, the presidential spokesman said, "We would welcome such a meeting."

Mr. Bush, in Luxembourg before traveling to Moscow for the funeral on Tuesday, said his visit "may be an opportunity for the amelioration of tensions."

Speaking in Washington Monday morning after the announcement that Mr. Chernenko had been elevated to the position of Communist Party general secretary, Mr. Speakes said:

"We invite the new leaders of the Soviet Union to work with us in establishing a basis for greater mutual understanding and constructive cooperation. This would apply to Mr. Chernenko and others who serve in institutional positions of authority in the Soviet Union."

The State Department spokesman, John Hughes, welcomed the comments Mr. Chernenko makes in his introduction to a new book of his speeches to be published in Britain next month. "Today it is more important than ever before to multiply our efforts toward mutual understanding," Mr. Hughes quoted Mr. Chernenko.

As Mr. Reagan has said, Mr. Hughes continued, "these are our goals as well. What is needed is to move from words to deeds in building a more constructive U.S.-Soviet relationship."

Mr. Hughes declined substantive comment on Mr. Chernenko's first speech as the new Soviet leader on

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Konstantin U. Chernenko at a Moscow ceremony Monday.

Little Change Is Expected In Policies Toward West

Compiled by Our Staff From Despatches

BRUSSELS — Konstantin U. Chernenko's election as the leader of the Soviet Union suggests there is no prospect of a change in Moscow's hard-line attitude toward the West or of early progress on arms control, officials of the North Atlantic Treaty Organization said Monday.

Soviet bloc countries promptly praised Mr. Chernenko's election. The East German leader, Erich Honecker, promised full cooperation in the struggle against "imperialism and its threat of a nuclear inferno."

Reaction elsewhere around the world revealed skepticism about any early improvement in East-West relations.

A Danish Communist leader, Ib Norlund, who met the new leader in Copenhagen in 1976 on one of Mr. Chernenko's rare trips abroad, said, "Judging from my talks with him, I do not follow the suggestion that his views were radically different to those of either Brezhnev or Andropov."

The official New China News Agency swiftly reported the appointment of Mr. Chernenko as general secretary of the Soviet Communist Party, but did not immediately comment. Deputy Prime Minister Wan Li, who flew to Yuri V. Andropov's funeral, said Chinese-Soviet relations should be normalized. He is the highest-ranking Chinese official to go to Moscow in 19 years.

David Steel, leader of the British Liberal Party, who visited Moscow two weeks ago, called Mr. Chernenko a "stopgap" who "of all pos-

sible candidates is the least interested in foreign policy."

Volker Ruhe, deputy leader of the ruling Christian Democrats in West Germany, saw little chance of any changes in Soviet foreign policy "because we are dealing with policies that are determined collectively in the Politburo."

NATO officials said the Soviet leadership had demonstrated an innate conservatism and rejection of change by choosing the 72-year-old functionary over younger, more dynamic candidates.

"He's not the sort of man to break the mold," a senior political official said. "Don't look for any spectacular initiatives from him."

A NATO Soviet analyst said Mr. Chernenko, seen as an expert on international communist relations, would probably leave foreign policy largely in the hands of the veteran foreign minister, Andrei A. Gromyko, 74, and Defense Minister Dmitri F. Ustinov, 75.

"He seems never to have made a significant foreign policy pronouncement. I would expect a conservative, hard-line approach with no concessions on security policy," the analyst said.

The officials said that by elevating a man even older than Mr. Andropov, the Kremlin had postponed a rejuvenation of the leadership at a time of heightened East-West tension. Mr. Chernenko, too, is in uncertain health and might not remain long in power, they said.

They said he was likely to uphold the uncompromising Soviet stance toward the West set out by Mr. Andropov.

Speaking about domestic issues, Mr. Chernenko appeared to embrace all Mr. Andropov's initiatives, including the need for "a serious restructuring" of the economy. It is premature to conclude, however, that he intends to push for basic

At 72, He Is the Oldest To Assume Highest Post

By Dusko Doder

Washington Post Service

MOSCOW — Konstantin U. Chernenko was named Communist Party leader Monday to succeed Yuri V. Andropov as the most powerful political figure in the Kremlin.

The formal selection was made Monday morning at a meeting of the Communist Party Central Committee. The succession was actually decided by the 12 members of the Politburo, the country's ruling body.

It marked an unusual comeback for the 72-year-old party bureaucrat who owed his prominence to his long personal association with Leonid I. Brezhnev. But he was passed over in favor of Mr. Andropov after Mr. Brezhnev's death in November 1982.

In what must be a moment of singular personal triumph, Mr. Chernenko reached the peak of Communist authority on his own, rather than on the strength of backing by his former mentor. He is the oldest man to take charge in the Kremlin.

In making the announcement, Moscow television said Mr. Chernenko was elected "unanimously" as general secretary of the party by the 300-member Central Committee.

It quoted the new leader as pledging to "exert every effort, use all my knowledge and experience, to live up to this trust" and to carry out the foreign and domestic policies of his predecessor, who died Thursday at 69.

Mr. Chernenko's acceptance speech appeared to contain no new departures in either foreign or domestic policies. A brief session on foreign relations was conciliatory and included no direct attacks on the United States.

He pledged to continue the policy of peaceful coexistence and asserted that "we do not need military superiority, we do not intend to dictate our will to others."

Mr. Chernenko coupled this with an assessment that the threat to world peace was posed "by the reckless adventurist activities of the aggressive powers of imperialism."

Alluding to President Ronald Reagan's military buildup, Mr. Chernenko said that the Soviet Union "will not allow the existing military balance to be upset."

"We will see to it that our country's defense capacity is further strengthened, that we should have enough means to cool the hot heads of the military adventurists," he said.

Speaking about domestic issues, Mr. Chernenko appeared to embrace all Mr. Andropov's initiatives, including the need for "a serious restructuring" of the economy. It is premature to conclude, however, that he intends to push for basic

change as vigorously as did Mr. Andropov.

While it was appropriate under the circumstances for Mr. Chernenko to pay a warm tribute to his predecessor, he was not obligated to adopt specific aspects of his program. Yet Mr. Chernenko appeared to have done so, with some qualifications, presumably because Mr. Andropov had put supporters in key positions and these men were expected to keep up the pressure for economic change.

Mr. Chernenko's rise to the top position seems to rest on a combination of his own talent for political maneuvering and the fact that none of the younger members of the Politburo has had a chance to solidify claims to the leadership.

As Mr. Andropov's health deteriorated due to a chronic kidney ailment and other problems, Mr. Chernenko had patiently rebuilt his constituency within the ruling group during the past six months. According to sources, Mr. Chernenko's claim to leadership was never questioned after Mr. Andropov's death.

Although there have been rumors that Mikhail S. Gorbachev, 52, and Grigori V. Romanov, 61, were being considered as possible alternatives, their candidacies were never seriously considered by the leadership, the sources said.

Western diplomatic sources speculated that Mr. Chernenko's smooth election may have been based on a power-sharing arrangement worked out in advance and on Mr. Chernenko's assurances that he would not try to settle scores with those who spurned him in favor of Mr. Andropov 15 months ago.

His selection, in fact, appeared to have increased the authority and

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■ Five persons were charged in the United States with conspiracy to smuggle high-tech equipment to China. Page 3.

■ "Anastasia," who claimed to be the czar's daughter, died at 82 in Virginia. Page 3.

BUSINESS/FINANCE

■ Ford Motor earned \$1.87 billion in 1983, ending three years of deficits. Page 9.

■ Texaco's merger with Getty Oil was tentatively approved by the Federal Trade Commission in a split vote. Page 9.

TOMORROW

■ Eating dirt is a disappearing practice as modern cultural attitudes permeate the southern United States.

Reagan Weighs Pullout Of Troops in Lebanon

The Associated Press

WASHINGTON — President Ronald Reagan is moving toward withdrawing virtually all U.S. troops from Lebanon to ships offshore within the next 30 days, his spokesman said Monday.

"It is feasible to have them out in days," said Larry M. Speakes, deputy White House press secretary. "We will do so if it is consistent with the political and military situation."

Mr. Reagan met Monday with Hussein of Jordan as the administration sought new strategies for Lebanon.

Mr. Speakes said that Mr. Reagan is in agreement with a plan submitted by Secretary of Defense Frank W. Weinberger for moving Marines to the ships and would prove it if the other members of the multinational peacekeeping force agreed.

Vice President George Bush conferred on the weekend with Prime Minister Margaret Thatcher of Britain and will, by Thursday, have a meeting with President Francois Mitterrand of France and Prime Minister Bettino Craxi of Italy.

Mr. Speakes said the plan could be announced later this week. He also said the administration did not try to save the 1983 Israeli-Lebanese troop withdrawal agreement if Israel and Lebanon decided to scrap it.

Mr. Reagan was asked at the White House whether he favored scrapping the accord.

"We haven't started our talks yet," Mr. Reagan said.

However, Mr. Speakes said Monday that if Lebanon and Israel decided to abrogate their withdrawal agreement, under which Israeli troops would leave Lebanon if Syrian troops also depart, it would be satisfactory to the United States.

He said that the United States supported the agreement and "we support it, but if the two nations agree they want to abrogate the decision is theirs."

Asked what the U.S. response would be if Lebanon tried to withdraw from the agreement without U.S. approval, Mr. Speakes said, "unilateral abrogation is hypothetical."

Mr. Reagan will meet Tuesday with President Hosni Mubarak of Egypt and will lunch with both Hussein and Mr. Mubarak.

Hussein and Mr. Mubarak, both leaders of moderate Arab nations

friendly to Washington, met for dinner Sunday night.

Mr. Speakes said Mr. Reagan and the Arab leaders would "discuss the obvious—the current situation, how these two leaders can be helpful in resolving the immediate situation in Lebanon and how they can be helpful in moving the president's Middle East peace initiative forward."

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Hussein and Mr. Mubarak, both leaders of moderate Arab nations

NATO Urged to Seek Minimum-Deterrent Strategy

By Joseph Fitchett

International Herald Tribune

LONDON — NATO should stop trying to match Soviet nuclear firepower in Europe and emphasize a strategy of minimum deterrence, to avoid raising unwarranted fears in Warsaw Pact countries, a group of leading British military experts says.

Their recommendations, in a report issued last week, reflect widespread thinking in Western Europe that the North Atlantic Treaty Organization must acquire new weapons that promote military stability.

The study, "NATO's Defense and New Technology," represents a fresh Western tone in response to anti-nuclear protests last year in Europe. Now that new NATO intermediate-range nuclear missiles

are in Britain, Italy and West Germany, European officials want to allay fears about the outbreak of a nuclear war in Europe.

The study, intended to provoke wider debate about possible European defense strategies, was sponsored by the British Atlantic Committee, whose members are considered very close to Britain's military establishment. The authors, most of whom are retired high-ranking officers, warned that "the public would be astonished if it knew how little collective thinking the alliance has done about new technology."

The authors include Lord Cameron, former commander of the Royal Air Force, Kenneth Hunt, former head of the International Institute for Strategic Studies, and Sir Ronald Mason, former chief

scientific adviser to the Defense Ministry.

NATO doctrine, they say, must reaffirm its original emphasis on preventing war of any kind in Europe. This emphasis, they say, has been blurred by debate over NATO's military doctrine, known as flexible response, which committed the alliance to responding to any Soviet attack with prompt escalation of force, including the possible first use of nuclear weapons.

The report said, "This concept of controlled, step-by-step escalation is impractical nonsense in an unpredictable and largely uncontrollable battlefield situation."

Rethinking NATO's strategy has become urgent, the authors said, because installation of new electronic technology—including new sensors to detect even small mis-

siles and to guide weapons to distant targets—will change the nature of the European battlefield in the next few years.

But these new capabilities should be discussed with the Soviet Union to prevent Soviet planners from thinking NATO is weakening or is developing a conventional strength that could be used for an attack, the authors said. "The greatest danger of all is a Soviet miscalculation," they said.

The British experts, like most other European and U.S. strategists, said NATO must keep its nuclear threat against a Soviet breakthrough. In 1982, NATO leaders pledged never to use nuclear arms except in response to an

(Continued on Page 5, Col. 3)

Researchers Decide A-Bomb Is Good for You

By Douglas Martin

New York Times Service

TORONTO — In a small coach house on the campus of the University of Toronto, the flat couch from which Marshall McLuhan dictated his writings that changed the way the world thought about communications is preserved much as it was when he died in 1980.

His self-described disciples are using the same couch house to pursue research as startling as any of their intellectual master. They are examining the idea of nuclear weapons as an information medium and have reached the tentative conclusion that the bomb might be a good thing.

"I'm absolutely delighted the bomb is there," said Derrick de Kerckhove, acting director of the McLuhan Program in Culture and Technology. "It's about time we had something to bring us together."

The essential thought appears to be that the bomb has become a modern myth, holding a power over the culture's thinking previously held by religion. Further, that myth has become a physical part of everyone's brain and is now acting as a strong unifying force.

Mr. McLuhan is perhaps best remembered for his suggestion that the predominant media of an age largely shape the thought of that age, an idea expressed in his famous aphorism, "The medium is the message."

Today, Mr. McLuhan is being honored through a budding, year-old program at the University of Toronto dedicated to carrying on his mission. Although part of the function of the McLuhan Program in Culture and Technology is to preserve and catalog Mr. McLuhan's work, its principal goal is to push ahead on the research he began.

That work has taken an intriguing turn with the idea that the nuclear bomb is the ultimate information medium, an idea that Mr. McLuhan had only begun to toy with. Just as Mr. McLuhan shocked intellectuals by suggesting that television is a good thing, his followers are beginning to say the same thing about the bomb.

Indeed, Mr. de Kerckhove, a Belgian, argues that the more bombs, the better. He favors deployment of Pershing-2 and cruise missiles in Europe, and he says he is sorry that warheads are not widely distributed in public places, such as markets.

When asked directly, he swears he is not crazy. "I've done my homework," he said.

His theory is that atomic weapons represent a new universal myth, inescapable for all but the completely ignorant. "You can't do what you want with the bomb," he said. "The bomb does what it wants with you."

The bomb thus binds people together in a way they have not been linked since the Middle Ages, albeit on the brink of collective suicide.

That thought is shared by many modern thinkers. But, increasingly, Mr. de Kerckhove, who began working with Mr. McLuhan in 1968 and holds Ph.D.s in literature and sociology, is trying to link his work with that of neuroscientists. The idea is that the shared myth of imminent destruction has physically changed the manner in which the billions of synapses connect in people's brains.

Neurologists basically agree that changes in thought and perception physically affect the brain.

"The brain can rewire itself and can reorganize under environmental influences," said W.G. Tatton, the director of the University of Toronto's Playfair Neuroscience Unit, who is

(Continued on Page 5, Col. 3)



First Gold for U.S.

Debbie Armstrong won the women's Olympic giant slalom race Monday, leading a 1-2 U.S. finish and becoming the first American to win a gold at the Games. East German speed skater Karin Enke won her second gold and set an Olympic record in the 1,000 meters. Pages 6 and 7.

A Death in the Kremlin: Suddenly, New Details Are Revealed

By John F. Burns
New York Times Service

MOSCOW — As has happened before, the world is learning more about a Soviet leader in death than during his lifetime.

For example, the lying-in-state ceremonies for Yuri V. Andropov, who died Thursday at the age of 69, have revealed that he had a living wife, Tatyana Filipova.

At the outset of his 15-month tenure in the Kremlin many Western reports described him as a widower. Six weeks ago the U.S. Embassy here was sufficiently doubtful that it asked the Foreign Ministry whether President Ronald Reagan's New Year greetings should be addressed to both the Soviet leader and his wife.

The answer was affirmative, but doubt lingered until the lying-in-state. In the front row of seats reserved for the dead leader's family sat a woman of late middle age identified as Mr. Andropov's widow. Officials supplied her first name.

Beside her were Mr. Andropov's son, Igor, a diplomat, and Irina, his daughter, a journalist, both well known in Moscow. Some obituaries on Mr. Andropov appearing in the West said that his wife died about nine years ago, a fact attributed to Soviet sources. When officials at the lying-in-state were queried about this, they were noncommittal. This left it unclear to analysts here whether Tatyana Andropov is the mother of the Soviet leader's children, or his second wife. Watching the members of the Politburo offering their condolences provided other insights. For months the talk around Moscow was that the leaders with the closest personal ties to Mr. Andropov were the defense minister, Marshal Dmitri F. Ustinov, and Mikhail S. Gorbachov, who at 52 is the youngest member of the Kremlin elite.

Soviet officials scorn the weight attached to such matters by Western analysts, but when the Politburo approached the family it was Marshal Ustinov and Mr. Gorbachov who lingered longest with Mrs. Andropov, embracing her in the manner of intimates. Other leaders, notably Konstantin U. Chernenko, appeared to be less close.

The official medical bulletin on Mr. Andropov offered other revelations. The Soviet leader's illness,

REPORTER'S NOTEBOOK

enveloped in secrecy as long as he lived, was treated in death with almost excessive candor.

In early December a senior Kremlin spokesman, Leonid M. Zamyatin, implied at a news conference that the party leader's problem was a cold, a repetition of the explanation Mr. Andropov himself gave in a message when he missed the Nov. 7 military parade. The medical bulletin made a mockery of these and other assurances from Soviet officials who played down Mr. Andropov's problems.

Yevgeny M. Chazov, the Soviet leader's principal physician, along with two other members of the Soviet Academy of Medical Sciences, testified that Mr. Andropov's kidneys had ceased functioning in February 1983 and that he had been on an artificial kidney machine — the medical term is dialysis — ever since. The bulletin did not mention a cold or "croup," as it was called by Viktor G. Afanasyev, editor in chief of Pravda, who predicted only three weeks ago that Mr. Andropov would soon be returning to public view.

As has been the case with most Politburo members who have died in office since Stalin, the bulletin offered details that could be deciphered only by medical experts. It said that Mr. Andropov suffered from "interstitial nephritis, nephrosclerosis, secondary hy-

perension, diabetes mellitus, complicated by a chronic kidney deficiency," and added, "with the mounting phenomena of cardiovascular insufficiency and the stopping of breathing, death came at 16 hours 30 minutes on Feb. 9, 1984."

The precision of such bulletins has always fascinated Westerners. One theory is that the documents reflect the concern for formalism and legality that runs through much of Soviet official life. A more cynical interpretation is that the violent death of afflicted Soviet leaders under Stalin has left his successors with a determination to show the Soviet people and the world that nothing irregular has occurred.

The medical bulletin offered post facto vindication of accounts that circulated widely in the West during the six months that Mr. Andropov was absent from the Kremlin. The essentials — the diabetes, the kidney trouble, the dialysis — had been reported fully in Europe and the United States, in versions that drew on unofficial sources in Moscow.

These accounts were played back into the Soviet Union by Western radio broadcasts, and a large number of Russians seemed to trust them.

In late December, Mr. Andropov sent a speech to a Central Committee meeting attributing his absence to "temporary causes" and implying that he had been preparing to attend up to the last minute. The speech was one of at least a dozen pronouncements issued in his name after he disappeared from public view on Aug. 18. The purpose, in retrospect, seems to have been to uphold the notion of a leader "managing in full measure" party and state affairs, including questions pertaining to the U.S.S.R. Defense Council, as Mr. Zamyatin put it on Dec. 5.

Now, Western diplomats wonder. The medical bulletin's reference to Mr. Andropov's kidneys having failed in February 1983 suggests that his viability as

leader must have come into serious question only three months after he succeeded Brezhnev.

After the visit of President Mauno Koivisto of Finland in June, when the Soviet leader was supported by aides as he walked, doubts must have spread widely through the power structure. Some diplomats believe that Soviet officials in contact with Mr. Andropov after his meeting with a group of U.S. senators on Aug. 18, the last time he appeared in public, may have known all along that a return to full activity was improbable.

If so, there was a prolonged campaign to lend an aura of authority to a leader whose political prospects were decisively prejudiced. Those subscribing to this view pose several questions. Did the Politburo mount a charade to prevent public despondency and a loss of confidence on the part of foreign governments? Did the Politburo keep Mr. Andropov in his post because even from a hospital bed he was considered the best available leader, or were the members too divided to be able to pick a successor? And what does it say about the Kremlin's veracity if its statements on a subject as important as the leader's health could be so misleading?

If there was a charade, it may have involved painful sacrifices by the Andropov family. Igor, the Soviet leader's only son, did not leave the Stockholm disarmament conference he had been attending since mid-January until Thursday, the day of his father's death, and by the time his plane landed in Moscow, it was too late.

Marshal Ustinov canceled a planned trip to India six days earlier, suggesting that the situation had become serious. The implication for some diplomats was that the leadership may have deferred Igor Andropov's return to avoid signaling how dire the situation had become.

Chernenko's Rise in Bureaucracy Linked to Close Ties With Brezhnev

By Dusko Doder
Washington Post Service

MOSCOW — In just 15 months, Konstantin U. Chernenko has risen to the top of the Soviet Communist Party after suffering a political defeat that seemed to end his career into eclipse.

The death of Yuri V. Andropov, who defeated Mr. Chernenko in the 1982 succession struggle after Leonid I. Brezhnev's death, again opened the road to the top for the 72-year-old party bureaucrat, a relative newcomer to the ruling Politburo.

Mr. Chernenko rose to prominence as a loyal personal aide to Brezhnev. It was that connection that made him more important than any of his duties would have suggested.

That the Soviet leadership turned to a man it had known only 15 months ago seems to illustrate the importance of bureaucratic placement in the Kremlin hierarchy and the absence of strong younger contenders for the leadership.

Mr. Chernenko's links with Brezhnev dated from 1950 when Brezhnev was appointed first secretary of the Moldavian region and inherited Mr. Chernenko as his chief of propaganda and agitation. Brezhnev liked his propaganda chief, his industriousness and attention to detail.

When Brezhnev's political fortunes rose and he became an alternate member of the Politburo (it was then called the Presidium) in 1956, he brought Mr. Chernenko to Moscow. Mr. Chernenko was named chief of a mass propaganda section in the Central Committee.

After his appointment as Soviet president, or titular head of state, in 1960, Brezhnev made Mr. Chernenko manager of his office and chief of staff, a position he held until Brezhnev's death in November 1982.

Mr. Chernenko reached the peak of bureaucratic authority after Brezhnev became general secretary of the Communist Party in 1964, replacing Nikita S. Khrushchev. Mr. Chernenko was made head of the General Department of the Central Committee, which put him in charge of the work of the party's top policymaking bodies.

While serving Brezhnev, Mr. Chernenko was elected to the Central Committee in 1971 and became one of its secretaries, responsible for administration and security, in 1976. He was made a nonvoting member of the Politburo in 1977 and a full member the next year.

In the late 1970s, Mr. Chernenko emerged from the obscurity of Brezhnev's office, becoming the leader's principal traveling companion, a leading spokesman and the recipient of honors. It is possible that, at least in part, his new prominence was directly linked to Brezhnev's failing health.

Toward the end of Brezhnev's life, Mr. Chernenko was, in effect, the leader's alter ego and deputized for him during periods of illness. As he found it progressively more difficult to work, Brezhnev was believed to have needed the help of a veteran administrative aide to handle all but the most sensitive matters in his name.

Mr. Chernenko became highly visible during the last years of Brezhnev's life and was regarded as the man most likely to succeed him. Indeed, Brezhnev himself made no secret of favoring Mr. Chernenko. But apart from his association with Brezhnev, Mr. Chernenko has no known claim to distinction. He speaks poorly and has no known areas of expertise.

He belongs to the group sometimes referred to as the "Dnepropetrovsk Mafia," a network of senior party officials linked to Brezhnev and promoted by him through the years. Prime Minister Nikolai A. Tikhonov, who nominated Mr. Chernenko Monday for the top position, is one of its members.

Yet, after Brezhnev's death and despite a mathematical majority in the Politburo, Mr. Chernenko was defeated by Mr. Andropov, who enjoyed the support of the armed forces and security establishment. Mr. Chernenko not only lost but also was obliged to publicly nominate his rival for the leadership post.

During the past 15 months, Mr. Chernenko may have been the rallying point for party and state bureaucracy that opposed Mr. Andropov's drive for economic reforms and a purge of corrupt and inefficient officials. But there are no in-

dications that Mr. Chernenko was disloyal to Mr. Andropov.

Since his defeat in 1982, Mr. Chernenko had kept a low profile. He was not a member of Mr. Andropov's inner circle, yet he held the post of second secretary of the party in charge of ideology. In his public pronouncements, Mr. Chernenko solidly backed Mr. Andropov's policies.

Moreover, during the past few months and presumably because of Mr. Andropov's failing health, Mr. Chernenko's name had begun to appear more prominently, suggesting that he had retained influence in the leadership.

Mr. Chernenko has published a number of books and articles. His writings suggest the image of an old-guard party official suspicious of new ideas in economics or the arts and apparently convinced that the present system needs no fundamental changes.

Apart from his flair for organization, Mr. Chernenko has had no experience in economic management. His experience in foreign affairs is also limited. An official biography emphasized that he was a member of the Soviet delegation at the European security conference in Helsinki in 1975 and that he had also taken part in the 1979 Strategic Arms Limitation Talks in Vienna.

Mr. Chernenko was born in the Siberian village of Bolshaya Tes on Sept. 24, 1911. Although his family name indicates Ukrainian origin, he has described himself as being a Russian.

His biography says that he worked as a hired hand for Siberian kulaks, or wealthy farmers, that he subsequently became an activist in the Young Communist League, the Komsomol, and later held various party positions in his native Krasnoyarsk Krai, eventually becoming its secretary in 1941.

In 1943, Mr. Chernenko was sent to Moscow to complete his education at a higher party school, from which he was graduated in 1945. He was first named secretary in Penza in 1945 and moved to Moldavia in 1948 to become chief of its regional propaganda and agitation department.

There is no information about Mr. Chernenko's personal life.



Members of the Central Committee of the Soviet Communist Party gathered in a plenary session in the Hall of Unions on Monday to pay their last respects to Mr. Andropov.

Chernenko, in Speech of Acceptance, Pledges to Continue Andropov's Work

The Associated Press

MOSCOW — The following are excerpts from the text of the speech delivered Monday by Konstantin U. Chernenko to the Central Committee of the Communist Party at a meeting in which he was named general secretary of the party. The text was issued in English by the news agency Tass:

Dear comrades, I cordially thank the members of the Central Committee for the great honor bestowed on me — election as general secretary of the Central Committee.

Yuri Vladimirovich Andropov was destined, comrades, to work at the head of our party for a short, painfully short time. He passed away at the very height of a great and tense work aimed at powerfully accelerating the development of the national economy, at overcoming the difficulties which our country encountered at the turn of the 1980s. ... Further advancing by collective efforts the work started under the leadership of Yuri Vladimirovich is the best way of paying tribute to his memory, of ensuring continuity in politics.

You know, comrades, what immense attention our Central Committee, Political Bureau of the Central Committee and Yuri Vladimirovich Andropov paid of late to questions of perfecting the work of the state apparatus, of improving the style of party leadership.

One of them is a clear distinction between the functions of party committees and the tasks of state and economic bodies, elimination of duplication in their performance. ... Frankly speaking, not everything has been properly adjusted here. It happens that workers at soviets, ministries, and enterprises do not display the necessary independence, but shift on party bodies the matters which they should handle themselves. The practice of substituting for economic managers disenchanted cadres. Moreover, this harbors the danger of weakening the role of the party committee as a body of political guidance. For party committees, handling economic issues means, above all, being concerned with people engaged in the economy.

On the party role and discipline: The party has enriched itself lately with new experience in guiding the socialist society. We have started to use better the advantages, possibilities of our system. Among them undoubtedly are the organization and consciousness of the masses. Hence our attention to strengthening order, discipline. The question of organization, order is a key, principal one for us. There can be no two views on this. Any slackness, irresponsibility brings to society not only material losses. They inflict serious social, moral damage.

On the economy: The system of economic management, the whole of our economic machinery need a serious restructuring. Work in this direction has only been started. It includes a

large-scale economic experiment for broadening the rights and increasing the responsibility of enterprises. A search is under way for new forms and methods of management in the field of services.

We expect from our economic executives more independence at all levels, a bold search, and if necessary, a well-justified risk in the name of increasing the effectiveness of the economy and ensuring a rise in the living standards of the people.

On relations with the West: Great Lenin bequeathed to us the principle of peaceful coexistence of states with different social systems. We are invariably loyal to this principle. Nowadays, in the age of nuclear weapons and super-accurate missiles, people need it as

never before. Deplorably, some leaders of the capitalist countries, to all appearances, do not clearly realize, or do not wish to realize that.

We can very well see the threat created today to humankind by the reckless, adventurist actions of imperialism's aggressive forces — and we say about it in full voice, drawing to that danger the attention of the peoples of the whole Earth. We need no military superiority. We do not intend to dictate our will to others. But we will not permit the military equilibrium that has been achieved to be upset. And let nobody have even the slightest doubt about that. We will further see to it that our country's defense capacity be strengthened, that we should have enough means to cool the hot heads of militant adventurists.

Chernenko Is Chosen To Lead Soviet Party

(Continued from Page 1)

power of two of Mr. Andropov's main supporters, Defense Minister Dmitri F. Ustinov, 75, and Foreign Minister Andrei A. Gromyko, 74. Both men are likely to take even stronger roles in shaping Soviet policy since Mr. Chernenko's experience in foreign and security matters is not extensive.

In one sense, Monday's selection seems a victory for the old guard Soviet leaders and particularly for the bureaucracy they dominate. Officials have speculated that the old guard was afraid of giving power to a younger and more dynamic leader for fear of losing their positions.

At the same time, Mr. Chernenko's selection amounts to a cautious interim solution. Despite his age, he appears to be in good health. But he is known to suffer from hay fever and he had been ill for about two months in the first part of 1983, according to his office.

Mr. Chernenko's candidacy was proposed to the Central Committee by Prime Minister Nikolai A. Tikhonov, 78, who described him as a faithful follower of Lenin, Brezhnev and Mr. Andropov. Mr. Tikhonov is an old Brezhnev protégé and an ally of Mr. Chernenko and he appeared to be speaking for the old guard.

By tradition, and in an effort to present an image of unity, a defeated candidate is delegated by the Politburo to make the nominating speech. Mr. Chernenko himself proposed Mr. Andropov in 1982 after months of bitter rivalry in the succession struggle ended in Mr. Andropov's clear victory.

The fact that it was Mr. Tikhonov, a close ally, who advanced the Chernenko candidacy appeared to indicate that no other candidate had been seriously proposed or on the ballot in the Central Committee.

WORLD BRIEFS

Rebels Say They Downed Angolan Jet

LISBON (Combined Dispatches) — South African-backed Angolan guerrillas said Monday that they shot down an airliner carrying government and Cuban troops in Angola's central Huambo province Thursday, killing all aboard.

In a statement released in Lisbon, Brigadier General Demosthenes Amos Chilingula, chief of staff of the National Union for the Total Independence of Angola, said a Boeing 737 was shot down as it took off toward Luanda, the nation's capital. An earlier report by the British Broadcasting Corp. said 100 Angolan and Cuban troops were aboard. The Angolan National Airline denied the guerrillas' report.

Meanwhile, in Paris, Sam Nujoma, the leader of the South-West Africa People's Organization, said SWAPO was willing to discuss cease-fire terms with South Africa if the talks took place on "neutral ground." SWAPO guerrillas, operating from bases inside Angola, have been fighting for independence for South-West Africa, or Namibia.

Mitterrand Approves Plan for Louvre

PARIS (AP) — President Francois Mitterrand announced Monday that he has given final approval to a rebuilding program for the Louvre that will include a controversial glass pyramid in its central gardens.

The glass pyramid, designed by the Chinese-American architect I.M. Pei, is to focus attention on a new main underground entrance. Eighty percent transparent and 20 percent reflective, the pyramid will be about two-thirds the height of the museum buildings.

The project is one facet of a transformation of the Louvre complex scheduled for completion in 1989. The Finance Ministry is vacating one wing, leaving space to create new exhibition halls as well as administrative and technical space for the museum.

Pakistan Expert Clarifies Atom Claim

ISLAMABAD, Pakistan (Reuters) — A leading Pakistani nuclear scientist says that his recent statement that the country could enrich uranium and possibly produce an atomic bomb was being deliberately misinterpreted, the Associated Press of Pakistan news agency reported Monday.

The agency quoted the scientist, Abdul Qadir Khan, saying that Pakistan's nuclear program was "a very limited research and development program solely for peaceful uses." Any other interpretation of his statement would be incorrect. The agency did not say when or where he made the remarks.

A mass circulation Urdu-language newspaper, Nawa-e-Waqt (Voice of the Time), published an interview with Mr. Khan on Thursday in which he was quoted as saying that Pakistan had broken the West's monopoly on enriching uranium — a key step in production of nuclear weapons — and would not disappoint the nation it gives "an important mission." An Amsterdam court sentenced Mr. Khan on Saturday to a four-year prison term last year for attempted theft of uranium enrichment secrets from Dutch research plant where he once worked.

Nicaraguan Insurgents Report Raid

SAN JOSE, Costa Rica (UPI) — Nicaraguan insurgents said Monday that they shot down a Soviet-made helicopter in a surprise attack in southeastern Nicaragua, killing 10 men aboard the aircraft and 27 Nicaraguan soldiers on the ground.

A communiqué from the Democratic Revolutionary Alliance said the helicopter was destroyed in a raid on a military base Wednesday in Punt Gorda, about 50 miles (80 kilometers) north of Nicaragua's border with Costa Rica. The passengers included a member of the Nicaraguan Army's high command, the communiqué said. There was no immediate comment from the Nicaraguan government.

The insurgents, based in Costa Rica, are commanded by Edén Pastora Gómez, known as Commander Zero, a former Sandinist leader who later took up arms against the Sandinist regime.

Kashmir Front Leader Is Hanged

NEW DELHI (Combined Dispatches) — Magbub Butt, the founder of the Kashmir National Liberation Front, who was under death sentence for more than seven years, has been hanged, one week after his followers were held responsible for the kidnapping and murder of an Indian diplomat in Britain.

Mr. Butt was executed Saturday for the murders of a police inspector in 1968 and a bank manager in 1976. He told his lawyer on the eve of the hanging that he believed that it was "retaliation" for the killing of the diplomat, Ravindra Harshwar Mhatre.

Meanwhile, police said Monday that posters believed to have been placed in Srinagar, the capital of Kashmir, by the Kashmiri Liberation Front warned that bombs had been planted on the only highway linking the state to the rest of India. The front vowed over the weekend to avenge Mr. Butt's execution.

Poland to Investigate Former Leader

WARSAW (Combined Dispatches) — A former Polish prime minister, Piotr Jaroszewicz, and his deputy, Tadeusz Wrzeszcz, will be investigated by the Tribunal of State for mismanaging the economy, the Sejm, or parliament, decided Monday.

Mr. Jaroszewicz, who was prime minister for 10 years, was dismissed from the office and the Communist Party Politburo in 1980. The case against the two men will be the first to be heard by the tribunal, which was created in 1982. It has no power to pass sentence but can refer evidence to the judicial authorities if it finds grounds for criminal proceedings.

The Sejm, whose four-year term was to end March 23, also voted Monday to postpone elections and prolong its term at least until the end of the year.

Iraq Says 22 Die as Iran Shells Towns

BAGHDAD (AP) — Iran shelled six Iraqi border towns Monday in the latest of a series of retaliatory bombardments of population centers, killing 22 civilians and injuring 52, and Iraq retaliated by shelling the southern Iranian city of Ahvaz, a military statement issued here said. The deaths Monday brought to 36 the number of Iraqi civilians killed in two days of artillery attacks against Iraqi border towns, according to official Iraqi statements. One hundred and forty people were reported wounded.

The Iranian shelling targeted the southern Iraqi provincial capital of Basra and the central border towns of Mandali, Khanqin, Tawish, Kharmal and Zarzariya, the military communiqué said. The attacks by both sides have been preceded by warnings to residents of the targeted cities to flee.

Chernenko-Bush Talks Urged

(Continued from Page 1)

Monday except that, "on first reading, [it] seems to reaffirm the basic lines of Soviet policy, so it is too soon to draw any conclusions about possible shifts in direction."

"We do, of course, welcome his expressed support for solving international disputes through negotiation and readiness to 'assist through practical deeds in lessening international tension,'" Mr. Hughes said.

Mr. Bush, in his Luxembourg stopover, said that the United States wants to negotiate but that "it has to be a two-way street."

"We go in peace, recognizing that this may be an opportunity for the amelioration of tensions," he said.

But senior U.S. diplomatic officials have said that they do not expect any immediate changes in Soviet policy. Undersecretary of State Lawrence S. Eagleburger said Sunday, "I think it is unlikely for some period of time that we will see major changes in one direction or another."

"Therefore," he added, "I think it is fairly important that the United States make it clear what we stand, make it clear that we are prepared to continue with negotiations with the Soviet Union."

West Expects a Stable Foreign Policy

(Continued from Page 1)

Gromyko in a virulently anti-American speech last month at the opening of the European disarmament conference in Stockholm.

"People are always looking for shifts, but in fact I think there has been a remarkable consistency in Soviet attitudes to East-West relations from Brezhnev through Andropov to the present day," another Soviet expert said.

U.S. Intelligence Reacted Slowly To Early Signs of Andropov's Death

By Michael Getler
Washington Post Service

WASHINGTON — More than nine hours passed after telltale signs began appearing in Moscow that President Yuri V. Andropov might be dead before the first intelligence reports of those signs reached government offices here Thursday night, according to diplomats and intelligence officials.

The reports coming through U.S. government channels lagged several hours behind a story filed from Moscow by a journalist who noticed sudden changes in television and radio programming and, by walking the streets of the Soviet capital, noticed signs of unusual late-night activity in government buildings.

While it is not unusual for intelligence agencies and governments to get their first bit of information from news reports, interviews Friday with a number of officials made clear that there was concern and some finger-pointing within the government over an apparent lack of alertness by the U.S. Embassy in Moscow and other intelligence monitors to such a crucial development.

In a dispatch that reached the desk of The Washington Post

about 7 P.M. Thursday and was published in Friday morning's newspaper, the Moscow correspondent, Dusko Doder, wrote that Soviet television and radio had suddenly switched from jazz to classical music programs.

After walking through the city, Mr. Doder also reported an unusual number of lights on at midnight at the headquarters of the KGB, the Soviet secret police, and at the military and defense ministries.

These signs "appeared to indicate that the country was being placed on an emergency footing," he reported, comparing them to similar visible changes just before it was announced in November 1982 that President Leonid I. Brezhnev had died.

There were also reports earlier in the day that Mr. Andropov's son, Igor, had left his post with a Soviet delegation at a conference in Stockholm to return to Moscow.

Soon after Mr. Doder's dispatch arrived, reporters here called officials at the White House, the State Department, the CIA and other agencies to ask if more detailed information about the Soviet leader's death had been reported to official Washington from Moscow.

All of the officials said they had seen no such reports. After checking further, the officials called back at about 8 P.M. to say they had no information about any programming changes or other telltale signs in Moscow. These further checks, based on knowledge of the still-unpublished story by Mr. Doder, were said to include inquiries elsewhere in the U.S. intelligence community, with the U.S. Embassy in Moscow and with the BBC.

Officials said the CIA reportedly

relies on the BBC and the U.S. government's Foreign Broadcast Information Service for monitoring Soviet broadcasts. It is not clear whether intelligence officials checked with the BBC directly in Moscow Thursday night or just checked their broadcasts and schedules.

Friday, after Mr. Andropov's death was formally announced, the officials contacted Thursday night told a Post reporter that, in the words of one, "You scooped us all."

They said that, after details of Mr. Doder's story were relayed from officials here to the American operatives in Moscow, the first reports through government channels about the changes in musical programming arrived in Washington sometime after 9 P.M. Thursday — about nine hours after they began on Soviet television.

Soviet television switched from jazz to classical music at about 8:15 P.M. Moscow time, 12:15 P.M. in Washington. Soviet radio made the same change at 11:35 P.M. Moscow time, or 3:35 P.M. in Washington.

A source said that, when the basic elements of Mr. Doder's still unpublished story were "played back" to the U.S. Embassy in Moscow on Thursday night, Washington time, embassy officials reportedly joked that the reporter must be "on pot."

"Don't they listen to the radio or walk around?" a government official here wondered Friday, referring to U.S. Embassy personnel in Moscow. Another official here called it primarily "an embassy screw-up."

Spain Power Plant Attacked

Reuters

SAN SEBASTIAN, Spain — Suspected Basque guerrillas fired two rocket grenades at a police post guarding the power station at Hernani Sunday and raked the buildings with machine guns, police said Monday. There were no casualties.

5 Are Charged in U.S. With Plot to Smuggle Technology to China

By Maureen Dowd

New York Times Service

NEW YORK — A yearlong undercover operation by U.S. customs agents has ended with the arrest of five persons in New Jersey in charges of conspiring to smuggle more than \$1 billion worth of classified high-technology military equipment to China.

The U.S. Customs Service said the five had met with an undercover agent at a restaurant in New Jersey Saturday night and had given him a list of 14 items, mostly classified, they wanted to buy. The items, officials said, are used in missile guidance, radar jamming and electronic surveillance.

"It was very clear that they were trying on behalf of the Beijing government and that they planned to divert the equipment through Hong Kong to Beijing," said Patrick T. O'Brien, an assistant commissioner for enforcement with the Customs Service in New York.

"If the Chinese got everything on that list," said Arthur R. Stiffel, a special agent for the Customs Service, "they would be right behind technologically."

Telephone calls to the Chinese consulate in New York and to the Chinese Embassy in Washington were not answered Sunday night.

The arrests were part of Operation Exodus, a program begun last year by the Customs Service, the Federal Bureau of Investigation and the Commerce Department to curb what officials call the "technology hemorrhage" of top military secrets to other countries, particularly those in the Soviet bloc.

Those charged with violating the Arms Export Control Act and with conspiracy to illegally export munitions were Kwang-Shin Lin, 37, of Inwood, New Jersey; David Tsai, of Flushing, New York; and

Allen Young, 33, of Cortland, New York — all naturalized U.S. citizens — and Zheng De-Chuan, 40, and his sister-in-law, Zhang Jing-Li, 33, of Hong Kong. The suspects face up to seven years in prison and \$20,000 fines.

Mr. Zheng is a citizen of the People's Republic of China and has ties to the country's military," Mr. O'Brien said. "His American associates described him as an agent buying for the People's Republic."

At a news conference, Mr. O'Brien and Mr. Stiffel gave an account of how the undercover operation worked.

They said the "initiator" in the United States of the smuggling scheme was Mr. Lin, an engineer who is a native of Taiwan. Mr. Lin is a technical supervisor in Linco, a subsidiary of American Telephone & Telegraph Co. that used to be part of Bell Laboratories.

Mr. Stiffel said the Customs Service got a tip from an employee in the high-technology industry that Mr. Lin was "shopping around," trying to find someone willing to sell illegally 100 transverse wave tube amplifiers, equipment that is classified and is sold only to nations of the North Atlantic Treaty Organization.

The amplifier is used in a variety of weapons systems, including missile guidance and radar jamming devices on military aircraft.

An undercover agent contacted Mr. Lin two months ago, nearly a year after the operation was set up. A series of meetings in Manhattan, cars and offices in Monmouth County, New Jersey, followed, officials said. The meetings were videotaped.

Mr. Stiffel said that about a week ago, the undercover agent brought two of the amplifiers, borrowed



Arthur R. Stiffel, right, and Patrick T. O'Brien, explaining the Customs Service's undercover operation on the smuggling of high technology. On the table are transverse wave tube amplifiers, similar to ones used in the operation.

from the Defense Department, to show Mr. Zheng "that we could deliver." The United States sells the amplifiers to NATO nations for \$10,000 each. The undercover agent asked \$12,500.

The group met at the restaurant Saturday night, where the customs officials said, Mr. Zheng gave the undercover agent the list. The items are worth more than \$1 billion, Mr. Stiffel said. As the five left the restaurant they were surrounded by 20 customs agents.

Mr. O'Brien said Mr. Lin and the four others had smuggled other items, such as integrated circuit equipment, to China even before the operation began. He said that in trying to locate the items he wanted to buy, Mr. Lin had told

people he was an AT&T employee. Mr. O'Brien said Mr. Young and Mr. Tsai ran an import-export business in New York City called East Star.

On his tour of the United States last month, China's prime minister, Zhao Ziyang, complimented President Ronald Reagan on allowing a greater technology flow between the two countries and lobbied strongly for an even greater infusion of technology that would reflect the warming relations between the two countries.

"The Chinese alluded to that on the videotapes," said Mr. O'Brien. "They said that China is getting a lot more technology legally now but that they'd never be able to get this stuff legally."

Mexican Leader Seeks U.S. Policy Shifts

By James Reston

New York Times Service

MEXICO CITY — President Miguel de la Madrid, expressing deep concern about the economic chaos and military violence in Latin America, has called on the United States to reappraise its policies for the region in 1984.

"I feel that North-South relations on the American continent could seriously deteriorate," the Mexican president said.

"I believe that if military violence increases we will not be able to solve the problem," Mr. de la Madrid said. "It's going to grow and multiply. It's going to get out of control, with losses for all. First, for the Central American countries themselves, but also for the security of the hemisphere."

Mr. de la Madrid, in an interview at his residence of Los Pinos last week, also emphasized what he considered the dangers of the Reagan administration's economic policies, which carry the prospect of continuing high interest rates and budget deficits. The private interview was granted on condition that it not be published until this week.

Concerning the situation in Central America, Mr. de la Madrid repeated the views he had expressed a few hours earlier that day in a news conference with foreign correspondents based in Mexico.

"There is no doubt that the military interventions and naval maneuvers of the United States have created a great deal of irritation in Latin America," Mr. de la Madrid said.

On Nicaragua, Mr. de la Madrid said, "We think we can succeed in having Nicaragua assert its nationalistic character and become less dependent on the Socialist bloc. For this there would have to be more financial cooperation from the Latin American countries, Western Europe, Japan, Canada, and the United States itself."

"I feel the Nicaraguan people are willing to do this but the American government hasn't the least bit of confidence in them," he said. "What I have said is that we should give them the chance to show their good faith."

Asked in the interview what Mexico wanted the United States to do in Central America, he repeated his opinion that the efforts of the so-called Contadora group, composed of Mexico, Venezuela, Colombia and Panama, "provides reasonable, sure and honorable bases for political negotiation."

"I believe that in Central America political talent is being put to the test to achieve a good result," he said. "If it is not able to solve the problem, a climate of enmity will increase among the countries involved."

"In Argentina, for example, there is already a feeling of frustration because of the United States' position on the Falkland Islands," Mr. de la Madrid said. "If other motives are added to this we will

have an empoisoned climate which will be of no help to us in doing so many things that have to be done on the continent."

He was asked what President Ronald Reagan said to him in response to this argument. "Whenever I've spoken to President Reagan," he replied, "we have both been very frank. This in itself seems to me very positive. I'm always willing to listen to his reason and he too, at least, seems to be willing to listen to mine. I'm afraid we have not convinced each other."

On the subject of continuing high interest rates and budget deficits, Mr. de la Madrid said, "I be-

lieve that this worries not only American citizens, but also the rest of the world, because the United States deficit is financed not only by domestic savings in the United States, but by the savings of the entire world."

He said, "For Mexico, for example, one of the main problems is the high interest rate. Our foreign debt service absorbs a large part of our effort. This year, for example, the payment of the interest alone is equal to the income from our total oil exports. This creates a serious problem for us with respect to our balance of payments and managing our budget."

Shuttle Ended Its Flight With No Major Damage

By Thomas O'Toole

Washington Post Service

CAPE CANAVERAL, Florida — Challenger completed the 10th space shuttle mission in relatively good condition, but its windshield, fuselage and landing gear were damaged when it returned to Earth on Saturday after eight days in space.

French Assembly Passes Newspaper Anti-Trust Law

The Associated Press

PARIS — The National Assembly approved a newspaper anti-trust law Monday night aimed primarily at France's largest newspaper chain and is based on a 1944 decree that never was put into effect.

The action came after four months of debate and a 21-day special session devoted to the legislation itself. It now goes to the Senate, but the assembly can annul any changes made in the Senate.

The law would affect the country's largest newspaper group, owned by a conservative, Robert Hersant, with almost 40 percent of the readership of newspapers circulated nationwide and 13 percent of provincial circulation. Among the newspapers are L'Aurore, Le Figaro and France-Soir.

One person or group would be permitted to own up to three national newspapers, limited to a total circulation less than 15 percent of all national newspapers and with the same limit for ownership of provincial newspapers. The law excludes newspapers owned by political parties — benefiting the Communist Party, the junior partner in the ruling Socialist alliance — and magazines.

Two of Challenger's windows were bazed and pitted and 31 of its 33,000 protective tiles, two brake assemblies and all four tires on the main landing wheels will have to be replaced, shuttle officials said Sunday.

Replacing the tiles, brakes and tires and polishing the windows will not slow the preparation of Challenger for its next flight in April, said the director of landing and recovery for the shuttle, Robert Webster.

"This one is very clean in comparison with the others," Mr. Webster said after Challenger was inspected at the Kennedy Space Center. "But one thing that is of concern to us is its brakes, since this is the third or fourth time in a row we've broken brake assemblies on landing."

Mr. Webster said two brake assemblies broke this time even though the shuttle's speed while landing at sea level in Florida was about three miles per hour (about five kilometers per hour) slower than on previous landings in California's Mojave Desert.

"The brakes worked and the four main tires did not blow out, meaning they did their job," Mr. Webster said. But "it is a concern that we're going to have to improve the brake system to make them a little tougher."

Mr. Webster said the two front windows in the cockpit windshield will have to be polished. He said he believes that upper-atmosphere dust from erupting volcanoes caused the hazing and pitting as the shuttle returned to Earth.

Mr. Webster said 31 of the heat-resistant tiles that will have to be replaced may have been damaged during ascent, while others were burned by the heat of re-entry. As many as four large tiles that cover the rear engine pods may have been damaged in a collision with sea gulls on the shuttle's final landing approach.

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Milwaukee Tries to End 'Beer and Brats' Image But Some Believe Quest for Sophistication May Fail Against Beer-Belly Chic

By E.R. Shipp

New York Times Service

MILWAUKEE — The shadow of Chicago casts upon this city of 360,000 people is still a pretty long one. That shadow is constantly being discussed here. Some say Milwaukee is no longer entirely in the shadow of Chicago, which is 85 miles (137 kilometers) away; others say it is.

But it is clear that Milwaukee, long famous for its beer, bratwursts, rats, for short, heavy manufacturing and Friday night fish fries, is working hard at becoming known for something else: for being a sophisticated, cosmopolitan town.

That is why there is now a contest to come up with a new slogan and a new logo for the city, whose name derives either from the Ojibwa word for "meeting place by the river" or the Winnebago word for "stinking river."

"Milwaukee is a place that grows on you gradually, like a beer belly," Robert W. Wells, a local historian, has written.

Civic and business leaders want the town to grow on more people. "The idea has been brewing for a long time," said Casey Beachell of the Greater Milwaukee Convention and Visitors Bureau, the sponsor of the contest.

"There have been a lot of attempts in the past — 'Milwaukee, Talk It Up,' 'Discover Milwaukee,'

'Milwaukee Builders Winners' — but nothing seemed to take off. It makes us wonder, how did the 'Big Apple' take off in New York City?" More than 750 entries have been received. The prizes include \$2,500 for the best slogan and \$2,500 for the best logo.

"There's a hustling, thriving little city here," Miss Beachell said. "We're not just beer and brats."

But others in the city think Milwaukee might be fighting a losing battle. At the Grand Avenue Mall, a shopper, Don Greyer, said, "We're probably known as blue-collar, beer-drinking town. I don't think it's an image we can get rid of. It's here to stay."

The word "desegregation" is being heard here a lot these days. The city school board is in negotiations with 29 suburban districts to develop a plan to transfer students between those city schools that are predominantly black and suburban schools, which are predominantly white.

Now the federal Department of Housing and Urban Development has ordered the local housing authority to desegregate 2,559 apartments for the elderly that are 75 percent white and 2,064 units for families that are 77 percent black.

It is this that is causing some concern, particularly among elder-

ly residents who might have to move.

At the Merrill Park project, Pearl Stangle, who is 65 years old, said, "There's people who have been here since day one. People are very proud of their little building. I think there would be a lot of hurt people if they have to move."

Marlene Johnson, an alderman in whose district two of the developments are situated, said, "They may be able to interchange a few people, but it seems to me it will take a long time to integrate."

She and others said blacks preferred living among blacks and whites among whites. Mrs. Stangle, who is white, said she would not mind having blacks move to Merrill Park but would not want to move to a black project because "it's dangerous."

There is a heated race going on in the Fourth Congressional District to fill a seat made vacant by the death of Representative Clement J. Zablocki, a Democrat who had held the seat since 1948. In primaries Feb. 21, six Democrats and four Republicans will be vying for their party's nomination.

And then there is the mayoral race. "Henry's running again," said a saleslady at Desford's Bookellers, adding matter-of-factly, "He'll win."

The mayor's race is always cut and dried, said a local politician, "He's a shoo-in," said Donald H. Dooley, a spokesman for the Metropolitan Milwaukee Association of Commerce, adding, "He's been in forever, it seems."

The man of whom they speak is the big city mayor with more seniority than any other in the nation: Henry W. Maier. Mayor Maier, who turned 66 last week, was first elected in 1960.

The closest race Mr. Maier has faced was four years ago, when Dennis Cona, a former state revenue official, got 43 percent of the vote in the nonpartisan contest.

The challenger this time are Dennis Horowitz, a 32-year-old teacher in a program for high school dropouts, and Christopher M. Rayson, a 34-year-old garment worker.

Miss Horowitz said she had a "strong feeling" she could unseat Mr. Maier. "I think it can be a very interesting race, particularly when

Anastasia' Dies at 82; Claimed Czar as Father

United Press International

CHARLOTTESVILLE, Virginia — Anna Manahan, 82, the frail woman who failed in her lifetime quest to prove she was Anastasia, youngest daughter of the executed czar Nicholas II, died Sunday.

Mrs. Manahan, wife of a University of Virginia professor, died at the Martha Jefferson Hospital. She had been in ill health for more than 10 years and in and out of Charlottesville hospitals.

She said she escaped the massacre on July 16, 1918, by hiding behind one of her sisters when the royal family was executed by the Bolsheviks during the Russian Revolution.

Mrs. Manahan's attempt to be officially recognized as Anastasia, the rightful heir to a dowry of 5 million she said was in the bank of England ended in 1970. A German court ruled it could not decide either way and the case was dropped. The bank has never been clear on whether such a dowry was a deposit.

Some members of the Russian aristocracy accepted her claim while others did not. She spent many years as a guest of the wealthy and titled persons who did. Many considered her claim to be the Russian fortune to be the best of many pretenders. But Dr. Jamie Cockfield, history professor at Mercer University in Macon, Georgia, said neither he nor any other Russian history specialist took her claim seriously.

Dr. Cockfield said the most serious flaw in her claim was that she did not speak Russian. He said he did not know Mrs. Manahan in Russian and her husband had to translate. "The Czar's sister sat with her and other members of the Imperial family talked to her and they didn't sieve she was Anastasia," Dr. Cockfield said.

Mrs. Manahan was the subject of many books, including the recent "Anastasia — The Riddle of Anna Manahan," by Peter Kurth. "The File on the Tsar," a 1976 book by two British authors, Anthony Summers and Tom Mangold, also retold her story.

Mrs. Manahan moved to Charlottesville in 1968 to marry John Manahan, a college professor she had met in Germany in the 1960s.

Robert P. Joyce, 81, Foreign Service Officer WASHINGTON (WP) — Robert P. Joyce, 81, a retired Foreign Service officer whose posts included Shanghai and Paris, died Wednesday in London of pneumonia. During World War II, he worked as an official of the Office of Strategic Services in Bern.

He joined the Foreign Service in 1927. His early assignments included Shanghai, Bolivia and Panama.

Other deaths: Tom Keating, 66, who won notoriety and acclaim with forged masterpieces that hoaxed the British art world, Sunday of a heart attack in London.

Nikolai D. Belokostikov, 66, a special ambassador of the Soviet Union who served in Canada and Sweden, Tass said Thursday.

Vicente Mallawanag, 44, general manager of the state-run Philippine News Agency, Saturday of a brain hemorrhage in Manila.

James Sinclair, 75, former Liberal cabinet minister in Canada and the father-in-law to Prime Minister Pierre Elliott Trudeau, Tuesday after a long illness in West Vancouver, British Columbia.

Margherita Perras, 75, the Greek-born soprano who was a celebrated opera singer in Europe and Latin America between the two world wars, in Zurich.

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Herald Tribune

Published With The New York Times and The Washington Post

Not Just for Hong Kong

In an obviously calculated remark during his American tour, China's Premier Zhao Ziyang sang the praises of capitalism — in Hong Kong. Although some capital is fleeing the colony, he said, more is flowing in because "conditions for investment in Hong Kong are better than any area in the Asia-Pacific region." No booster of that bustling, British-ruled entrepot would claim more.

Why does Mr. Zhao bend ideology to praise Hong Kong? For a good, practical reason: China benefits from the crown colony's prosperity. Hong Kong is the source of a third of Beijing's foreign exchange and provides vital contacts with the West. Thus China promises to leave this golden goose alone — minus a few feathers — when Britain's 99-year lease to most of the territory expires in 1997.

That is just 13 years away. China is pressing Britain to agree this year to a new arrangement that would preserve Hong Kong as a capitalist enclave nestled against the Communist mainland for a further half-century. Even if for some reason Prime Minister Thatcher balks, China says it will unilaterally decree the plan to reassess Hong Kong's 5 million inhabitants. Nearly all are ethnic Chinese, many of whom fled from Communist tyranny.

China would let Hong Kong retain its convertible currency, legal system and free-port status. Beijing offers autonomous home rule; the exact form would be decided in consultation with "compatriots." But what China cannot decree is trust in the arrangement so that

the capitalist goose can go on coexisting with a plain Beijing duck under one flag.

The problem for Britain is not Hong Kong's wealthy Chinese elite of 40,000, who have been steadily exporting capital, including perhaps \$1 billion that has turned up in New York real estate. The harder question involves some half-million Westernized Chinese, who have reason to mistrust Beijing but whose British passports no longer entitle them to migrate to Britain.

The British have run Hong Kong through an appointed governor and a legislative council. The people of Hong Kong are accustomed to free speech and a free press. China insists that it will respect these freedoms, but not "slender" and "counterrevolutionary." That is an elastic and troubling footnote. What will allow pro-Taiwanese publications? Or is Hong Kong to enjoy only the promise of freedom that it offered the rest of China by its constitution?

Prime Minister Thatcher's hand for pinning down these points looks weaker than it is. Britain no longer challenges China's sovereignty over Hong Kong. To defend its subjects there it can deploy principles, not gunboats. But China plainly needs and wants a thriving Hong Kong — and a deal that might strengthen its argument for a gradual, peaceful reunion with Taiwan. Just possibly, common interest will rise above ideology. If Britain can nail down convincing guarantees, diplomacy may open the way for a wider reconciliation — and not just for Hong Kong.

— THE NEW YORK TIMES

Nuclear Proliferation

Nobody much likes thinking about the ominous questions of nuclear proliferation, but it remains true that the threat of nuclear weapons is not limited to the armories of the five powers that acknowledge having them. Perhaps six or eight others are moving toward nuclear weapons, and some are countries with histories of radically unstable and aggressive politics. America cannot do much about the technology that these countries already command, but it can do a lot to slow down the flow of crucial equipment and materials to them.

The Senate will have an opportunity to make an important contribution when, some time this month, the Export Administration Act finally comes to the floor. A bipartisan group of senators led by Gordon Humphrey of New Hampshire intends to offer an amendment tightening the standards under which the United States permits exports with implications for nuclear arms. Those exports would be prohibited to countries that have refused to open their nuclear facilities to inspection by the International Atomic Energy Agency.

The amendment would allow the president to make exceptions when he was prepared to cite reasons of national security. But this change in the law would end the practice of licensing extremely sensitive exports inconspicuously at low levels of government.

The amendment is a response to two egregious cases last year. In one the Reagan admin-

istration routinely approved a transfer of heavy water to Argentina, which subsequently announced that it possesses all the processes needed for the manufacture of weapons. In the other case Secretary of State George Shultz assured his hosts during a visit to India that the United States would allow them to buy certain equipment for their Tarapur reactor. India has already exploded what it calls a "device" and the rest of the world calls a bomb. Neither India nor Argentina permits IAEA inspection of all its nuclear facilities. The Indian sale, incidentally, seems recently to have been derailed, which casts some doubt on the assertions that this kind of thing is essential to U.S. diplomacy in South Asia.

The technology now in the hands of Argentina and India — not to mention South Africa, Iraq, Pakistan and the rest — is irrevocably theirs. But that is all the greater reason for the United States to be careful about certain further sales and the conditions under which they are licensed. It is important to give great visibility to these sales, and to force the people at the top of government — both the U.S. government and the recipient — to think carefully about what they are doing. That is the purpose of the amendment now being put forward by Senator Humphrey and his colleagues. People who are uneasy about the proliferation of nuclear weapons will want to see it passed.

— THE WASHINGTON POST

Other Opinion

Chernenko: Not an Innovator

Konstantin Chernenko would seem to have been the least apt among the potential successors of Yuri Andropov to inject a bit of imagination into Soviet foreign policy. His experience in foreign affairs is slight. Andrei Gromyko, the eternal foreign minister, will no doubt play an important role in the new leadership, and this prospect, too, hardly suggests that much change is in store.

Mr. Andropov was supposed to be a transitional secretary-general between the generation of leaders promoted at the time of the Stalinist purges of the 1930s and the younger generation, but he died too soon. The choice of Mr. Chernenko appears to be a stopgap measure. For purely biological reasons, his rule will doubtless not last long. Picking a man in his 60s would have blocked the way for the younger leaders for a much longer period.

— Le Monde (Paris)

Reagan: A Better Second Term

Let me say I expect Reagan to be a better president in the second term than he has been in the first. The reason I say that is because he is gradually learning that the real world of the presidency requires him to have around him people who administer the government rather than people who can promote ideology.

I expect for that reason he's likely to have continuing disengagement with his original primary constituency, who tend to be quite ideologically oriented. My impression of Ronald Reagan is that he doesn't just want to

promote ideas. He wants to be president of the United States, and I respect him for that.

And my impression is that the next administration will have more people around him who feel as he does and less people who want to posture over in the corner because they have decided that some idea is an absolute truth.

— Representative Barber B. Conable Jr., Republican from New York, quoted by Washington Post columnist Haynes Johnson.

Medvedev Sums Up Andropov

Of course, [Yuri Andropov] was unjust to dissidents, and he did not have a deep enough insight into all the problems. He did not see the necessity of profound reforms in our economy and our political structure. But he was concerned with major problems of state like fighting corruption. He improved the economy in some respects, and he dealt a strong blow to the Mafia-style leadership that came into being under Brezhnev, which was characterized by corruption and inefficiency.

I can't say that [Mr. Andropov] had a very broad world view — to the contrary, it was very limited. I believe that he sincerely wanted peace and cuts in arms spending, but here he failed. Perhaps he could have improved international relations, including Soviet-American relations, since he had more ability in this respect than any other politician in the country. But after his initial failures, he died before he could suggest any alternatives for changing the international situation.

— Marxist historian Roy Medvedev, interviewed in Moscow by Newsweek.

FROM OUR FEB. 14 PAGES, 75 AND 50 YEARS AGO

1909: Alerting Britain to Aeroplanes
PARIS — Colonel H.S. Massey, founder of the Aerial League of the British Empire, explained to a Herald correspondent his programme: "In founding this league I had one main object — the swiftness of Englishmen to the fact that aeroplanes and steerable balloons are very real things indeed. The fact that aeronautical science is being developed with such startling rapidity upon the Continent may change the situation so far as the strategic position of Great Britain is concerned. I am glad to say all those connected with the league are up to date in their methods. We are not going to bother about experimenting. We intend to purchase machines which have already flown, such as those built by the Wright brothers."

1934: Republicans Assail Roosevelt
NEW YORK — Republicans at Lincoln Day dinners went into action on a wide front in attacking the Roosevelt administration, condemning it in phrases that ranged from "unconstitutional" to "a march on Moscow." The general appeal was for Republicans in Congress to take up the role of a party of opposition instead of one of submission. Representative James Beck of Pennsylvania urged support for the wise policies of the administration, but opposition to policies which threatened to destroy the form of government under which the nation flourishes. "If the coup d'état by which our form of government has been subverted shall be permanent," he said, "then the Republican party itself shall perish."

Reagan's Record on Arms Control: A Waste of Three Years

By Herbert Scoville

McLEAN, Virginia — President Reagan has started his reelection campaign with a public relations attempt to show that he and his administration have been serious about controlling nuclear weapons and reducing the risk of nuclear war. But this public relations blitz does nothing to change his dismal record on the nuclear war issue.

The blitz began with the president's deceptively placatory speech designed to convince the allies that he really wished accommodation with the Soviet Union.

Next, Paul H. Nitze, Mr. Reagan's negotiator for intermediate-range nuclear forces talks at Geneva, and then Edward L. Rowan, his negotiator at the strategic arms reduction talks, appeared in print and on television arguing that the administration's negotiating positions were sound and flexible.

Secretary of State George Shultz said in Stockholm on Jan. 17 that Washington was ready "for early progress" once talks resumed.

In fact, the president deserves scant credit for any improvement in his arms control policy. Only under pressure from people in America and Europe did he initiate any arms control negotiations.

The talks on intermediate-range forces were started 10 months into his term and then only at European leaders' insistence — demands generated by the public outcry over deployment of Pershing-2 and cruise missiles. The strategic arms reduction talks were not begun until 17 months after Mr. Reagan took over, and again only as a result of widespread American public alarm among freeze movement activists, physicians, scientists, lawyers and other concerned organizations.

What in fact has the President done to curtail the arms race?

- He postponed indefinitely the negotiations on a comprehensive test ban treaty even though these talks had been supported by every Republican and Democratic president since Eisenhower. The need to do more nuclear testing was cited as the reason for putting off the talks.

- He sent the threshold test ban and peaceful nuclear explosion treaties, signed by Presidents Nixon and Ford, back to Moscow for revision.
- He refused to resume discussion on limiting anti-satellite weapons and instead moved with high priority to begin testing an advanced weapons system for destroying Soviet space vehicles.

- He proposed vast and expensive programs for ballistic missile defense systems, which could result in the erosion of the Anti-Ballistic Missile Treaty of 1972, the Outer Space Treaty of 1967 and the Limited Test Ban Treaty of 1963.

Negotiations have been used not merely to cover inaction in real arms control but also to justify the procurement of new nuclear war fighting weapons as bargaining chips.

The president's original position at the intermediate-range forces talks — the so-called zero option for eliminating all Soviet nuclear weapons aimed at Europe, in exchange for U.S. agreement to forgo the deployment of cruise and Pershing-2 missiles — was palpably nonnegotiable, and administration spokesmen admitted that they expected no encouraging Soviet response until

after the Pershing-2 and cruise missiles were deployed in Europe.

Now that such deployment has begun, the Russians have predictably broken off negotiations and begun to pursue an equally misguided course — deploying more missiles aimed at Western Europe.

The only ray of light in these talks was the so-called walk in the woods of Mr. Nitze and his counterpart, Yuri Kvititsyn, in which the chief American negotiator privately offered to postpone deployment of the Pershing-2 missiles. Yet in the aftermath of this unofficial move the director of the Arms Control and Disarmament Agency, Eugene V. Rostow, was forced to resign for his "overzealousness."

The Reagan administration has been required to modify its original proposal several times under West European pressure, yet it still has not faced up, even implicitly, to the

real obstacle in these negotiations — the British and French strategic nuclear weapons aimed at the Soviet Union. It is not surprising for the Soviet Union, the only country in the Eastern bloc with nuclear weapons, to be unwilling to ignore those forces — 162 missiles being modernized with multiple warheads.

Only now, when the Russians have broken off the intermediate-range forces talks and removed Mr. Reagan's cover for failure to deal seriously with this problem, has his administration given the slightest indication of being willing to merge talks about intermediate-range forces with negotiations about reducing intercontinental weapons — a possible politically acceptable tactic for dealing with this thorny issue.

The strategic arms reduction talks are also headed nowhere, despite Mr. Rowan's optimism. No date has been set for their resumption.

No, the Reagan Rhetoric Has Brought Progress

By W. Scott Thompson

WASHINGTON — A president's words — the government's declaratory policy — can have an enormous effect. President Reagan's much maligned "tough talk" to the Russians, however much it may have alienated European intellectuals and American critics, has created the possibility of real cuts in both countries' nuclear arsenals.

A wholly new basis of negotiations has been established, thanks not only to the Reagan administration's success in redressing the military balance but also in large part due to its resolve, as expressed from the start by the president.

Four years ago those of us involved in, for lack of a better term, the intellectual apparatus of the Reagan campaign were deeply concerned about the erosion of its military capabilities and perceptions of division within it. We feared that the steady Soviet arms buildup and accompanying Soviet successes overseas had created a momentum that would be difficult to reverse.

And we knew that the military buildup envisaged by then Governor Reagan's defense advisory groups would not show significant results until the end of his first term, by which time much else could be lost. One thing that could be reversed on command, however, was declaratory policy — rhetoric.

True, empty rhetoric is not a very useful tool. But Mr. Reagan's declaratory policy had sound foundations. He had, after all, won an immense victory — in part because of a perception that American power needed to be strengthened. That in itself improved "the correlation of forces" — to use the Kremlin's term.

Thus it was not merely the ensuing harsh — and truthful — language used by the new president that improved America's standing in the world. It was the credibility of those words, backed as they were by an electoral mandate for change.

The signs of success are most evident in arms negotiations, despite the suspension of the strategic arms reduction talks and the negotiations in Geneva about intermediate-

range missiles in Europe. Mr. Reagan's rhetoric has created a new environment for negotiations with Moscow. The Russians now have to deal with an America far more certain of its purpose and its direction, willing to restore parity in nuclear affairs and unwilling any longer to apologize for its policies.

In April 1977, for example, the Politburo refused even to entertain demands for cuts in its strategic arsenal proposed by Secretary of State Cyrus Vance. The balance today is much less favorable to America, but Moscow has been willing — albeit after much bluster and storm — to negotiate roughly the same cuts with the Reagan administration.

Many Americans and Europeans are confused by the sometimes stormy atmosphere surrounding the negotiations. Europeans in particular are easily upset by it — and that leads critics of the Reagan administration to suggest that his rhetoric

has undermined the cohesion of the Atlantic alliance. Yet serious bargaining seldom proceeds in a continuously balmy climate. One may have to weather or even provoke a storm to induce the other party to help stabilize the climate.

The new, more soothing words from Washington — in the president's January invitation to Moscow to return to the Geneva talks, for example — have also confused many observers, who doubt Mr. Reagan's sincerity. In fact he is once again using rhetoric for a tactical purpose: to induce the Russians to return to the bargaining table.

The fact that negotiations are indefinitely suspended is just part of the changing weather. This time it is the Russians who have provoked the storm, hoping to incite protests — from the American public and against American policy — to force Washington to deal with Moscow on Moscow's own terms. But it

death makes it even more unlikely that talks will be resumed.

Mr. Rowan says Washington is at last willing to discuss trade-offs of Soviet and American advantages in certain classes of weapons. Such trade-offs are, of course, the essence of any successful arms control negotiations, and yet it is only after three years in office that Mr. Reagan is prepared to discuss them.

Given this record of delayed action, cover-ups and political posturing, it is hardly surprising that the American people are skeptical about President Reagan's seriousness about arms control. It is this public skepticism, in an election year, that explains his concern about the suspension of all nuclear weapons talks with Moscow.

The writer, a former assistant director of the Arms Control and Disarmament Agency and deputy director of Geneva intelligence, contributed this article to The New York Times.



Mubarak Increases in Stature Alongside a 'Moderate' Arafat

By Olfat Tohamy

CAIRO — Egypt's unconditional reinstatement as a member of the Islamic Conference Organization would be the first in a series of diplomatic victories for President Hosni Mubarak and Yasser Arafat.

The day the stormy debates on Egypt began in Casablanca, Mr. Mubarak aggressively stated that "Egypt will remain the leading state in this region whether the others like it or not."

Later, his pleasure with the ICO's Jan. 19 decision was made clear when he broke his own protocol rules to receive an ICO committee. It was Mr. Arafat's praise of Egypt at the Casablanca meeting that ultimately swayed Saudi Arabia and other members to renew Egypt's membership, which had been suspended since it made peace with Israel. The PLO chairman did not initiate the motion that led to the decision, but he set the record straight, refuting the notion that Egypt was a renegade that had sold out the Palestinians.

His support stemmed partly from the Egyptian help he received during the difficult siege in the northern Lebanese city of Tripoli, where shiploads of Egyptian arms rescued him from an otherwise uncertain future. Cairo then took responsibility for Mr. Arafat's departure, along with 4,000 of his men, and safe passage to North Yemen. A warning that Egypt would be ready to go to war if Mr. Arafat's convoy was attacked was formally conveyed to Israel in a letter from President Mubarak to Prime Minister Yitzhak Shamir.

Egypt's active concern for the PLO's survival dates back to the Israeli invasion of Lebanon, when Egypt informed the PLO of Israel's intention to reach Beirut. During their warm encounter in Cairo in December, Mr. Mubarak told Mr. Arafat that Egypt would use its formal links with Israel to try to advance the Palestinian cause. But erosion of relations has diminished Egypt's leverage with Israel.

Egypt is principally concerned by Israel's rejection of all peace formulas aside from that of Camp David, and is seeking ways to get around this. The key to a new formula that would meet a longstanding U.S. condition for dealing with the PLO and would offer Israel the promise of security is mutual recognition.

But the burden of the first step falls on Mr. Arafat. Egypt is pushing him to resume talks with King Hussein at the point where they suddenly came

to a halt last spring. Mr. Arafat and the king had agreed on a confederation, but they disagreed on whether the Palestinian entity would be a state. Mr. Arafat, then restricted by the consensus he always sought as a basis for his leadership, gave in to pressure from his hard-liners and refrained from signing a document he had worked out with the king.

This time Egypt is confident that Mr. Arafat is determined to proceed with a peaceful settlement of the Palestinian problem. He has received the backing of the PLO central committee, has taken steps to expel the dissidents who fought him in Tripoli and seems prepared for the decisive annual meeting of the Palestine National Council. The prospect of a shadow or opposition PLO does not scare him, he has said publicly.

Mr. Mubarak has already started referring to Mr. Arafat as the "moderate" Palestinian leader.

International Herald Tribune.

Israel and Jordan Ought to Co-Administrate A Federal Status for the West Bank and Gaza

By Daniel J. Elazar

JERUSALEM — The future of Judea, Samaria and Gaza has been a major stumbling block to peace. Three approaches have failed:

- Withdrawal by Israel to its pre-1967 borders. Unacceptable, says Israel, citing the military danger of the territory falling into terrorist hands and the political danger of a PLO state that would be too small and poor to be viable and could not help but be a nest for anti-Israel activity.

- Annexation by Israel. Unacceptable, say the Arabs and most of the international community. Also opposed are many Israelis, who see absorption of a million Palestinian Arabs as a serious threat to the Jewish character of the state.

- Partitioning the territory. Unacceptable, say Arabs and most Israelis. Arabs stand firm on not ceding even one inch; Israelis see strategic threats to Israel in terms of vulnerable borders and potential danger to Israel's water resources. Hence, parti-

tion (accepted by the Jews of Palestine in 1947 but rejected by the Arabs then) has been effectively jettisoned by the Camp David accord.

The only realistic option is a federated solution that grants full autonomy to the residents under joint Israeli-Jordanian administration.

The feasibility of such a plan is enhanced by the weakness of Yasser Arafat. With the PLO split into pro-Syrian and pro-Arafat factions, the Arab League's 1974 agreement giving the PLO the sole right to represent Palestine Arabs may be a dead letter. With Mr. Arafat in need of all the friends he can get, he may give King Hussein permission to negotiate in the Palestinians' behalf.

Given the conflicting Jewish and Arab claims and the current demographic and political realities, shared rule is the only option that is realistic and fair and has a chance of being accepted by all sides.

Joint Israeli-Jordanian administration

tion with self-rule for the Palestinian Arabs would fulfill the following essential needs: The right of Jews to reside in the territories; sufficient Israeli military presence to guarantee Israel's security; free movement of Israelis, Jordanians and Palestinians into and out of the territories; the right of all residents to choose their citizenship — either Israeli or Jordanian — and to live within a normal framework that gives citizenship meaningful expression; and substantial economic integration of Israel, Jordan and the territories.

The truth is that de facto shared rule is already in place in Judea and Samaria. Israel basically controls security, residents and growth within the territories, and substantial economic integration of Israel, Jordan and the territories.

Shared rule is already in place in Judea and Samaria. Israel basically controls security, residents and growth within the territories, and substantial economic integration of Israel, Jordan and the territories.

In short, the territories are already in joint tenancy, with local residents enjoying considerable autonomy in their internal matters and in their daily lives. What is needed is to end the state of occupation and work out broader self-rule for the residents under a permanent solution.

Politically, shared rule would create a Palestinian Arab entity that would not be a sovereign state but would be linked to Israel and Jordan. These states would share in providing the structural and substantial commitment for the entire arrangement: the allocation of water resources; the development of tourism; the creation of a customs union — these are just a few examples of the kinds of responsibilities the two states would share.

Such an arrangement would enable Jews and Arabs to live in the West Bank and the Gaza Strip in express their national identities, having chosen Israeli or Jordanian citizenship, they would enjoy equal rights either for the Knesset or for the Jordanian Parliament, in addition to having equal privileges in local decisions.

Every other formula designed to define the status of the West Bank and Gaza has failed. The moment may be near for the parties to sit down and discuss seriously a plan for shared rule to remove a major road block to peace in the Middle East.

The writer is president of the Jerusalem Center for Public Affairs, a research organization that has published this comment in The New York Times.

LETTERS TO THE EDITOR

Tuchman on UNESCO

Barbara Tuchman's ringing defense of the free press ("America Cannot Abandon Thought Control," *1/17*, Jan. 26) is admirable, but her starting premise is simply false. She bases her entire argument for U.S. withdrawal from UNESCO on "the regulations proposed at the Paris conference on communications for control of the distribution of news."

I write as perhaps the strongest American critic, in the past eight years, of UNESCO's communications programs. Moreover, as a member of the U.S. delegation to the Paris conference, I negotiated many of the communications issues.

Let it be regarded as somehow biased for or against the outcome of those negotiations. It should be recalled that the World Press Freedom Committee, Editor and Publisher magazine and a number of newspaper editorialists reported that for the first time these communications negotiations generally favored the Western free-press position.

Indeed, Mrs. Tuchman's supposed "regulations proposed" were the Soviet Union's drafts, not UNESCO's and certainly not the Third World's. She seems to blame developing countries for the Soviet Union's attempt

to exploit their desire for better communications facilities and information flow. The Soviet "regulations" were bargained away with the active help of Third World countries and the secretariat of UNESCO.

There were 49 communications resolutions — not "regulations," as Mrs. Tuchman says; the difference is crucial, for UNESCO resolutions do not have the power of enforcement that "regulation" implies. Of the 49, 33 (including those of the United States and friends) were not objectionable to free-press advocates. Of the remaining 16, the worst — introduced by the Soviet Union and East Germany — were withdrawn without ever reaching the floor.

On the positive side, for the first time in a decade the biennial general conference — it was not a "communications conference," as Mrs. Tuchman states — approved programs to study the "watchdog" role of the press, examine governmental censorship and treat the controversial "new world information order" as an evolving process. All three programs are gains for free-press supporters.

When the conference ended, the World Press Freedom Committee wrote that "if anyone is looking for an assault on the media at this conference serious enough to justify

a U.S. withdrawal from UNESCO, they won't find it," I agree.

Neither the World Press Freedom Committee nor the current draft resolutions has ended — at UNESCO or in the world outside. But that struggle had best be conducted on the basis of realities. Mrs. Tuchman is too respected a historian to join the company of those who would withdraw from UNESCO on the basis of false or misleading information.

LEONARD R. SUSSMAN, Executive Director, Freedom House, New York

Ullmann Is UNICEF's

Your "People" column of Feb. 4 referred to actress Liv Ullmann as "UNICEF's" international goodwill ambassador. Miss Ullmann is a most valued goodwill ambassador of UNICEF. Still, her efforts on behalf of the world's children and mothers and the cause of peace and human dignity make her an ambassador of the ideals cherished by the whole United Nations system, including our sister agency, UNESCO.

SAID EL-AZEM, Information Division, UNICEF, Geneva

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Three Years
U.S. Support
Still Firm,
Gemayel Says
He Emphasizes Political
Over Military Backing

By E.J. Dionne Jr.
New York Times Service

DEIR MERY, Lebanon — President Amin Gemayel of Lebanon paused for a long time before answering a question on the strength of the U.S. commitment to his efforts to stay in power.

"I'm sure that President Reagan is fully committed to help Lebanon recover its sovereignty and independence," he said finally. "The most important thing is the political backing and support of the United States and Reagan. That's the most important, and everybody knows that the military options are not the best options."

Mr. Gemayel, in a meeting Sunday with foreign reporters in this mountain village overlooking Beirut, said he was confident that new talks would be convened in Geneva to resolve his country's difficulties.

Mr. Gemayel and his aides repeatedly insisted that they were satisfied with the plans for a pull-back of the U.S. Marines from their position near the Beirut airport to ships off Lebanon.

They also said they had been reassured of the Reagan administration's backing. An aide said the most recent reassurance came during the weekend in a "special message" from Donald H. Rumsfeld, Mr. Reagan's Middle East negotiator.

The president also declared that warring Lebanese factions are now capable of reaching a fair compromise.

"You'll see in the near future, when we will be able to reach an agreement," Mr. Gemayel said. "You'll be surprised to see again the Lebanese staying together, having lunch together, laughing together, hugging each other."

Mr. Gemayel's government lost control of West Beirut in fighting that began Feb. 6. After the battles started, Mr. Gemayel isolated himself with a small group of Christian advisers. Until Sunday, he had been virtually silent on recent developments.

Mr. Gemayel repeatedly blamed the intervention of foreign powers, notably Syria and Israel, for Lebanon's problems. He said the U.S. intervention was necessary only because Lebanon could not cope with the presence of foreign armies on its own.

"The backing provided by the Marines to the Lebanese Army in its period was only to redress the balance in the field," Mr. Gemayel said.

"Because, let us be very frank, the Lebanese government would be able to handle the situation, when the crisis is a Lebanese crisis. But we can't ask the Lebanese government to handle the situation when we have more than 100,000 foreign soldiers on our soil interfering in our domestic affairs."

"You have the Syrians, you have the Israelis, maybe 35,000 each," he went on. He said that Libyan, Iranian and Palestinian fighting men were also in Lebanon.

"All of them are here not only to occupy the land," he said, "but also to interfere in our domestic affairs and to try to pressure the legitimate government."

Mr. Gemayel declined to answer several questions, including one on his view of Syria's intentions in Lebanon and another on his reaction to the recent shelling of Syrian positions by the U.S. battleship New Jersey.

The president also sought to rush aside questions relating to calls for his resignation as a result of the Lebanese Army's defeat in West Beirut last week.

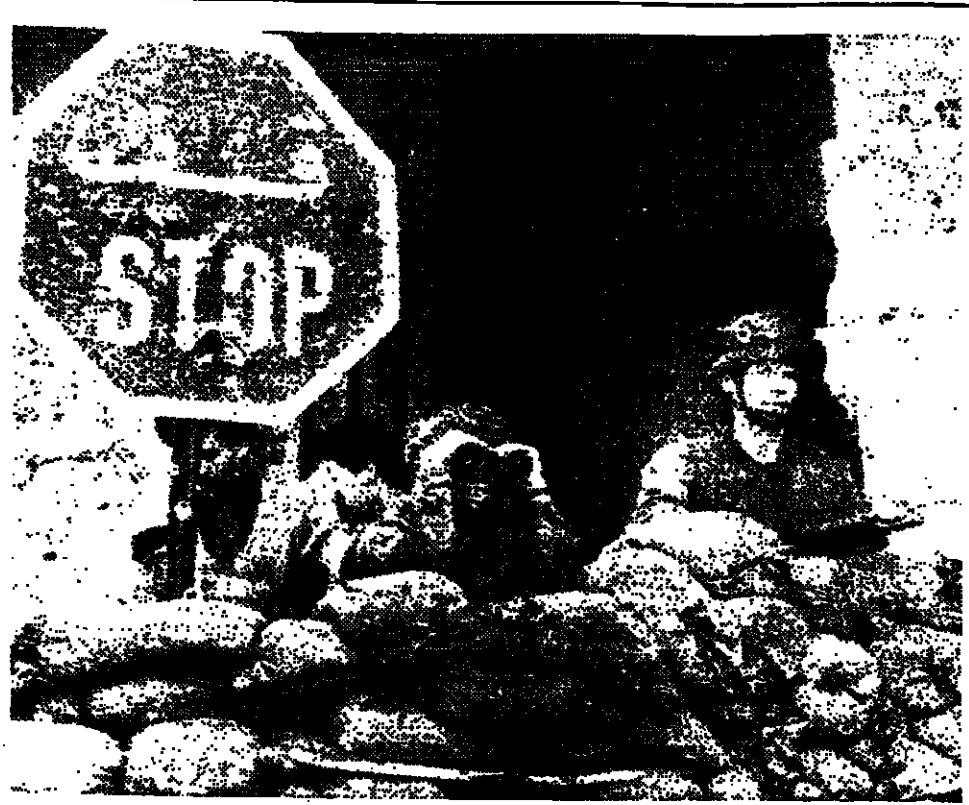
The president said he was not concerned about the calls for his resignation. Walid Jumblat, the Druze leader, has insisted that Mr. Gemayel step down as a condition for a solution of the crisis. Nabih Berri, a Shiite Moslem leader, also called for Mr. Gemayel's resignation, but he later changed his position.

The president sought to turn aside a question on the meaning of the victory of Moslem militia forces over his government troops by pointing to the way in which foreign intervention made Lebanon an intractable country to govern.

"Don't forget that Lebanon is still at stake and we have serious problems that can take time," he said. "We are still occupied by the main foreign powers in the area."

Especially when you know very well that the foreigners are strong interests, and that they're trying to influence your local and foreign policy."

"In the Lebanese crisis," he said, "another point, it is difficult to ascertain, to delineate with precision, where the Lebanese part stops and where the external dimension starts."



French soldiers in the multinational force at the line dividing Beirut after a Red Cross convoy brought supplies to the western sector. The stop sign is riddled with bullet holes.

Saudis Warn Gemayel That Lebanon Is for All Factions

United Press International

BEIRUT — Saudi Arabia warned Monday that Lebanon is not just for President Amin Gemayel, but it also praised him for talking "at a time when there is despair of a solution."

In West Beirut, a Red Cross truck convoy entered the sector carrying 200 tons of flour for bakeries and individual packages of blankets, mattresses and other food for families driven from their homes in the fighting last

week in which Shiite Moslem militias took control from the Lebanese Army.

Mr. Gemayel, who has refused Moslem demands that he resign, said in an interview broadcast on French television Monday that "we are on the threshold of reaching a solution that could revise the whole problem and lead to a formula that could save all of Lebanon."

He had met over the weekend with Rafiq Hariri, a Lebanese-born businessman whom Saudi Arabia had sent as a mediator. Beirut radio reported that Mr. Hariri was expected to go to Damascus later Monday for talks with Syrian officials and the Druze rebel leader, Walid Jumblat.

The Saudi radio report, carried by Beirut radio, said, "Lebanon is not for President Gemayel alone, but for all factions, and all are asked to work for the future of Lebanon."

Israel Pact, Talks Linked

(Continued from Page 1)

government refused to formally ratify it since it would have alienated Syria without producing an Israeli withdrawal.

Although Mr. Gemayel has tried to signal his flexibility to the opposition by essentially offering to agree to whatever the majority decides in Geneva, it is clear that he and his opponents are still far apart.

During the heavy fighting last week, the issue of the May 17 agreement was overshadowed by calls for Mr. Gemayel to resign. The opposition, however, has come to recognize that to press for the president to resign will provoke his Maronite Christian supporters to rally around him.

Hence, the opposition sees itself giving him "one last chance," as the Beirut French language daily L'Orient-Le Jour said in a headline Sunday.

That last chance, opposition sources say, is to prove that President Gemayel is really sincere in his offer to change his government by unilaterally abrogating or demanding to renegotiate the May 17 accord.

Israel Considering Limited Pullback In South Lebanon

Reuters

JERUSALEM — Israel's coalition government won a solid vote of confidence in parliament Monday after disclosing that it was considering a further pullback in southern Lebanon.

Defense Minister Moshe Arens, summing up a debate on Israeli policies there, said the "hasty, one-sided withdrawal of our forces from Lebanon, as advocated by some opposition members, would again expose our northern settlements to murderous cross-border attacks."

"But a pullback of some kind is under study, although no decisions have yet been made," he said.

Opposition members accused the government of "plunging the nation into a no-win situation" in Lebanon and called for an immediate withdrawal.

But on a no-confidence motion on the subject, the Knesset supported the government.

Most of a seven-hour cabinet session Sunday was devoted to Lebanon, and another meeting will probably be held this week, a government spokesman said.

Some Western diplomats in Jerusalem believe the government is waiting to see whether President Amin Gemayel of Lebanon discards or amends Lebanon's troop withdrawal agreement with Israel before deciding on further action.

Britons Urge Improvements In NATO Conventional Arms

(Continued from Page 1)

attack, but they retained the "first-use" option.

Even with a nuclear deterrent, the British study says, NATO must modernize its conventional defense in the event of a Soviet attack.

The experts also urged NATO to acquire missiles for fighter aircraft that would allow them to fire from safe distances, sophisticated drones that could replace airplanes for reconnaissance, and improved vertical takeoff fighters that could enable NATO to continue fighting without major airfields, which would be prime enemy targets.

More money needs to be spent on electronic means to prevent the jamming of communications and the disruption of sophisticated missiles' flight, the report says.

The study also recommends that:

- The United States pursue a treaty banning space weapons. An agreement would be verifiable, the group says, because an effective anti-satellite weapon would require extensive testing that could easily be detected.

- European members of NATO develop chemical weapons unless the Soviet Union agrees to abolish its stocks.

"The Soviet Union's chemical weapons present a much underestimated threat to peace and are a positive incitement to nuclear escalation," the study says.

European countries expand their intervention forces for crises in the Third World, where European interests are under more immediate threat than in the European theater. European influence with U.S. administrations is directly related to European ability to act in the Gulf and Africa.

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THE CANDIDATES

THE PARTIES

THE ISSUES

FEB. 20, FEB. 28. Iowa caucuses, N.H. primary. Winners get big billing. McGovern counting on good showing to stay alive.

MARCH 28. After 15 more primaries and caucuses, 36% of pledged delegates will have been picked, commanding lead now possible. Illinois was last test of industrial-state sentiment. If Glenn is strong, Mondale must shine there.

MARCH 13. 12 primaries and caucuses make this "Super Tuesday." Could be Glenn's Waterloo. South also crucial to Hofting and Askew, both Southerners, and a test of Jackson's pull with blacks.

MARCH 14. Field could narrow. Candidates with less than 10 percent in any 2 consecutive primaries will lose Federal matching funds in 30 days.

APRIL 3-10. Blackbuster set of big-state votes. If Democratic race is still contested, N.Y. and Pa. could be critical.

APR. 14-MAY 7. Mostly a caucus period; delegate count mounts. 32% of all delegates are chosen by caucus.

JUNE 5. 5 primaries, and season's end. Calif. and N.J. important if race still on; if not, could matter as protest votes. Maneuvering for Vice Presidential nomination comes out into the open.

JULY 16-19. Democratic National Convention, San Francisco. Even if the nomination is sewed up, Democrats almost always find something to fight about.

SEPTEMBER 3. Labor Day: traditional opening of general election campaign.

SOMETIME IN OCTOBER. A nationally televised Presidential debate, probably. Maybe more than one.

NOV. 6. Election day.

MID-OCT.-NOV. 2. Last economic statistics before Election Day become political events. Growth and inflation figures come 2 weeks, unemployment, 4 days, before the vote.

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SPORTS

Armstrong, Cooper of U.S. Finish 1-2 In Women's Giant Slalom Competition

Compiled by Our Staff From Dispatches

SARAJEVO — Debbie Armstrong, in only her second year on the U.S. ski team, became the first American giant slalomist at the 1984 Winter Games on Monday, leading a 1-2 U.S. finish in the women's giant slalom.

The gold was the first for a U.S. woman in the Olympic giant slalom since Andrea Mead-Lawrence won at the 1952 Games in Oslo.

Armstrong and teammate Christine Cooper took the top two spots in the 1-2 U.S. finish. Armstrong, second to Cooper after the morning's first run, turned in a time of 1:20.10, 12.01 seconds over the second run to win in 2:20.98. Cooper had a total time of 2:20.38 — 1:08.87 on the first run and 1:11.51 on the second.

Ferrine Pele of France won the bronze in 2:21.40, nearly a half-second behind the Armstrongs. Pele also finished third in the event at the 1980 Games in Lake Placid, New York.

The victory was the biggest upset of the Games. Armstrong had been rated no higher than third among the U.S. giant slalom contingent.

"Those were the two runs of my

life," said Armstrong, 20, who had never finished higher than third in a World Cup race. "I wasn't holding anything back. I knew this was my shot."

The upset opened the weather-scarred Alpine program in spectacular style and came just hours after Kitty and Peter Carruthers ignited the United States' Olympic turnaround Sunday night with a silver medal in the pairs figure skating competition. U.S. athletes had not won a medal in the first six days of the Olympics, covering 13 events.

"America has been waiting for this," someone shouted to Armstrong at the finish line immediately after her victory became apparent. "Now America's got it."

Armstrong fired back, "I was waiting for this." She was waiting for this. She was waiting for this. She was waiting for this.

Tamara McKinney of the United States finished fourth Monday in 2:21.83, missing U.S. sweep by 43 seconds. Still, the 1-2-4 finish was the best ever for a U.S. Olympic Alpine team. McKinney was eighth after the opening run, more than a second off the lead, but she had the day's fastest second leg — 1:11.72.

The pre-race favorite, overall World Cup leader Erika Hess of Switzerland, had a disappointing

first run, ranking 11th, and wound up seventh with a total time of 2:22.51.

The women's giant slalom was the first event completed on the Olympic Alpine calendar, both the men's and women's downhill having been weather-delayed until later in the week.

Cooper and Armstrong, 1-2 after the first run, were only a tenth of a second apart and nearly three-quarters of a second ahead of Blanca Fernandez-Ochoa of Spain. It was a lock: All they had to do was stay on their skis.

Armstrong turned in a near-perfect second run. Cooper had a little trouble at the top of the hill, probably costing her the gold.

The delighted pair embraced at the bottom of the hill for nearly 30 seconds after, becoming the first two Americans to win a medal in the same Alpine race. The gold medal was the first in Alpine skiing for the United States since Barbara Cochran won the slalom at Sapporo, Japan, in 1972.

Armstrong, who recovered from a broken leg at the world championships in 1982 to score points in eight World Cup races last year,

continued her climb this season. She was the best U.S. downhiller in 1983, placing 19th in the cup standings. She was 33d in the overall cup last year and is 22d this year.

She was third in a World Cup supergiant slalom and fifth in the most recent cup giant slalom, on Jan. 29 at St. Gervais, France.

A steady all-around skier, Armstrong is better known as a downhiller than a giant slalomist. "Everyone's calling me a downhiller," she said, "but my best results have been in giant slalom—that's where my heart is."

"I had no expectations of winning the gold, but I knew I could do well on this hill," Armstrong said, "and I knew I had to give 100 percent all the way down."

"I had a gas doing it. I felt really good. Oh, man, when I woke up this morning I felt really good."

Cindy Nelson, the veteran of the U.S. team who is coming off a knee injury and finished 19th Monday, had predicted that Armstrong would be the star of the U.S. women's team in another year or two. Armstrong appears to be ahead of schedule. (AP, UPI)

Sarajevo '84



Debbie Armstrong, winning the women's Olympic giant slalom: "I wasn't holding anything back. I knew this was my shot."

Weather Clears, Olympic Games Back on Track

Compiled by Our Staff From Dispatches

SARAJEVO — The sun finally broke through misty clouds around this Winter Olympic city Monday as a four-day blizzard that disrupted the Alpine skiing schedule ended.

"Now we are going ahead with our schedule at full speed," an Olympic organizer said.

The women's 1,000-meter speed skating in downtown Sarajevo and the men's 15-kilometer cross-country race on nearby Mount Igman both were bathed in sunlight.

And on Mount Jahorina, the first Alpine event of the Games—the women's giant slalom—was held after repeated postponements of other Alpine events forced by four days of snow and wind.

Elsewhere in Yugoslavia, resi-

long and too unsteady to do well on any kind of track. Aerodynamics are useless when you can't steer a sled well and it becomes unsafe."

Zardini said the risk of using the new sled "could be justified only if it were really faster than the traditional design and ensure victory. But the Russians have lost the two-

man event so it is not worth the try."

Strictly speaking, there's no niche in Yugoslavia's socialist economy for people like Victor Cornell. The New York City taxi driver, who by his own account is the world's largest dealer in Olym-

pic pins—those little bits of enamel and brass that have generated a flourishing over-the-counter trade in recent years—spread his wares in front of the concrete Skenderija skating rink.

"I've got about 10,000 to 20,000 of them, going back to Paris in 1924, but I only have about 2,000, 3,000 with me," he said, fingering an offer from a prospective customer.

Cornell refused the deal, rejecting the offered pin with a Yiddish expletive. "You gotta consider that you have no free market here," he explained. "In Lake Placid, I could sell a pin for 50 bucks and pay my expenses."

"Things would be different in Los Angeles, he predicted, where he is preparing to display a major part of his collection. He said his most valuable item was a silver pin from the 1936 Summer Games in Berlin.

"For that one there, I could get 25 dollars," he said, expressing value in the barter terms of the trade.

For professionals like Cornell, scarcity is what matters. "Amateurs," he said disdainfully, "they go for anything with color."

Add a handwritten note to the "official" this and that at the 1984 Winter Olympics. Ruffin, a company based in Beverly Hills, California, has received the designation from the local Olympic organizing committee.

Operating out of a king-sized mobile home parked on a Sarajevo street, Ruffin charges tourists \$25 for a cut and blow-dry, just as they would at home, according to JoAnna Tomasselli, a spokeswoman for the salon. Customers so far have included actor Kirk Douglas and singer John Denver, she said.

Rosalynn Summers is the world's most famous figure skater. She is a U.S. champion in women's figure skating. If she wins the gold medal here, she will join the ranks of such distinguished skaters as Dorothy Hamill, Peggy Fleming, Carol Heiss, Tenley Albright and Sonja Henie.

Who is Summers' figure-skating hero?

How about Henie, the Norwegian who won Olympic gold medals in 1928, 1932 and 1936 and went on to become a famous movie star?

"I never heard of her," said Summers. "Was she a figure skater?" (UPI, AP, LAT)

Svan Holds Off 3 Finns For Cross-Country Gold

Compiled by Our Staff From Dispatches

SARAJEVO — Sweden's Gunde Svan turned on the speed over the two Finns made it tight at the end.

"With about two kilometers left, we were all very close in time," the exhausted winner said. "I thought I was behind at one point. I knew I had to go very fast at the end and I went as quickly as I could. I have nothing left."

"I don't remember that last part of the race. I was just going as fast as I could," said Svan, a 21-year-old soldier in the Swedish army.

Ake Jonsson, Sweden's coach, wore a big smile as he waited to take the winner to the mandatory drug testing for the winners.

"This is what we've been fighting for," he said. "We were hoping for two gold medals. ... We knew Gunde was fast enough to win the 15 kilometers and we were hope-

ful, gained the lead by seven kilometers and took charge through the middle of the race. However, the two Finns made it tight at the end."

Svan, the bronze medalist last Friday in the 30-kilometer race, was timed in 41 minutes and 25.6 seconds. Aki Kärvinen was second, in 41:34.9, with Harri Kirvesniemi was third, in 41:45.6.

Juha Mieto of Finland finished fourth as the Finns again dominated an Olympic Nordic event. Sunday, Finland won the women's five-kilometer sprint and took the silver and bronze in Nordic combined and 70-meter jumping.

Trailing were the two Soviet skiers who have dominated cross-country skiing since the 1980 Winter Games.

Nikolai Zimiatov, a three-time gold medalist at Lake Placid and winner of the 30 kilometers in these Games, struggled home in 6th place in 42:34.5, more than a minute behind Svan. And two-time World Cup champion Alexander Zavalov, silver medalist in the 30 kilometers, was buried in 16th place with 42:59.0.

"The Russians were very good but I beat them today," said Svan, who was runner-up to Zavalov in last year's World Cup standings and leads this season. But he added, "I expected to win the gold medal."

The 15 kilometers was raced in bright sunshine with temperatures slightly below freezing—a sharp contrast to the previous four days of heavy snowfall and blustery winds.

Svan, skiing 73d in the 91-racer

man event so it is not worth the try."

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OLYMPICS NOTEBOOK

Alpine skiers have edged their cross-country counterparts as the most numerous competitors at the 1984 Winter Olympics. There are 227 Alpine racers from 42 nations against 221 cross-country competitors from 32 countries in the 1984 Games. Third are the speed skaters—161 entrants from 23 nations—followed by the bobsled with 142 contestants from 16 nations.

Hans Hiltbrand of Switzerland clocked the fastest time—51 seconds flat—while the vaunted Soviet torpedo-shaped sled proved to be a dud in Monday's trials for the four-man bobsled competition at the Winter Games.

Their competitors predicted the Russians would drop the "torpedo" altogether. They appeared to be moving in that direction Monday when, to general surprise, they entered traditional sleds for two of their three teams.

The new aerodynamic sled was reserved for No. 1 driver Janis Kipurs, but he finished 26th in a field of 29 in the first run of the day, clocking 52.64 seconds. His teammates Sinitis Ekmantis and Vyacheslav Lavryev placed 10th and 12th with times of 52.04 and 52.18.

"They'll have to drop those sleds," said Renato Zardini, head of the Italian team. "Their four-man (torpedo-shaped sled) is too

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SPORTS

Speed Skater Enke Sets Record In Winning Second Gold Medal

SARAJEVO — Karin Enke of East Germany became the first triple medalist of the Winter Games on Monday, winning her second gold and setting her second Olympic record in taking the 1,000-meter women's speed skating event.

Her time of 1 minute, 21.61 seconds broke the previous Olympic record of 1:24.10, set by Natalia Petrusova of the Soviet Union in 1980.

Enke was followed by Andrea Schoene of East Germany (1:22.83) and Petrusova (1:23.21). The three had finished in the same order Thursday in the 1,500 meters when Enke's winning time of 2:34.2 broke the Olympic record by seven and a half seconds and Petrusova's world record of 2:04.04.

On a clear, sunny morning, five of the racers finished under the old Olympic record. Valentina Lalenkova of the Soviet Union was fourth in 1:23.68 and Christa Rothemeyer, another East German, clocked 1:23.98 to finish fifth.

After her victory Enke said, "I'm going now for the 3,000-meter race, too."

The 3,000 meters, set for Wednesday, is the fourth and final race for the women speedskaters. Lydia Skoblikova of the Soviet Union won four speed-skating gold medals in 1964; no other woman has ever won more than two golds in the sport at a single Games, yet Enke said she feels no pressure in aiming for her third gold.

"The 1,500-meter race was much tougher, as it was more pressure on the nerves," Enke said. "This one was comparatively easy since I already had two medals going into it. If the ice conditions would have been better, I could have gone two seconds faster and aimed for the world record."

Petrusova holds the world record for the 1,000 meters.

Schoene said she was satisfied with her performance. "I never counted on a silver in the 1,000, since the 3,000 is my specialty," she said.

"We are in a fortunate position in our country, as every training is a competition between the world's elite as well."

Schoene predicted a tough fight for the 3,000 between herself, Enke,

East German teammate Gaby Schoenbrunn, the world record holder for the distance, and the Soviet skaters.

"But Mary Docter also stands a chance. Her third place in that event during the all-around world championships at Denver earlier this year speaks for itself," Schoene said.

Docter is considered the top U.S. hope in the 3,000. She finished 24th in the 1,000 meters and said afterwards, "It was not a very good race, but still I guess I'm pleased."

Enke, 22, first starred as a junior figure skater, rising to the rank of fourth in Europe and third in East Germany. But an injury and a growth spurt — she is now 5-foot-8 (1.73 meters) — forced her to move to speed skating.

The victory in the 1,000 gave Enke her third Olympic gold medal; she won the 500-meter race in 1980.

She also won a silver in the 500 Friday behind Rothenburger.

But the East German skater shrugged off the notion that she now is a superstar. "Let us wait with that until the Games are over," she said.



Karin Enke: "I'm going now for the 3,000-meter race, too."

Hamilton Leads Simond, Cerne

SARAJEVO — Scott Hamilton of the United States, the three-time world champion and the heavy favorite to win the men's figure skating competition at the Winter Olympics, took a big first step toward the gold medal Monday with an unexpected first-place finish in the compulsory figure phase.

Hamilton, known for his strong free skating, led Jean Christophe Simond of France and Rudi Cerne of West Germany, who is not strong in free skating, was expected to take an early lead in the compulsory phase, worth 30 percent of the total score.

Winning all three figures is something I hadn't expected," Hamilton said. "It's the first time at a world championship or Olympics that I've done that."

Hamilton said he is prepared to win the gold. "I have ever felt physically or emotionally better than this year," he said.

Hamilton will take his lead into Tuesday's short program, where seven compulsory elements will be skated. The final free skating phase is Thursday night. Hamilton's chief opposition is expected to come from Cerne.

"I've worked this winter as never before at the figures," Cerne said.

"I've spent twice as much time on them."

Cerne, 25, a stylist in the John Curry mold, has blossomed this year into a prodigious free skater. He was 10th at the Helsinki world championships. He moved up to

second in the European championships in Budapest, omitting a combination jump.

But he said that he would include the maneuver this time. "Then I'm retiring," he said. "It depends on how I'm placed after Tuesday's short program."

Fourth in Monday's figures was Josef Sabovic of Czechoslovakia. Sabovic, on the brink of cracking the top ranking, said he was in the mood to attempt a quadruple jump in the free. "I'll see how I feel on the ice," he said. "It depends on how I'm placed after Tuesday's short program."

Alexander Fadeev of the Soviet Union was fifth after the figures, from where he was capable of launching an assault on the medal positions.

As a measure of Hamilton's superiority Monday, no fewer than 19 of the 27 judges' marks awarded for the three figures were 4.0 or above. Simond earned five such marks and Cerne one.

"I wasn't nervous at all today," Hamilton said. "It's just kind of happened. Kitty and Peter Carruthers' silver in the pairs last night was inspiring. It will inspire the whole team, too. Rosalynn [Summers] being favored for the gold and Judy [Blumberg] and Michael [Seibert] going strong for a medal in the dance. It's a really big lift for all of us."

The Carruthers' second place finish in the pairs skating Sunday night was the best U.S. placing in that event in 24 years.

Soviet world champions Elena Valova and Oleg Vassiliev won the

pairs' gold, continuing two decades of Soviet domination of the Olympic pairs, and teammates Larissa Selezneva and Oleg Makarov took bronze.

"I saw that flag go up next to two Russian ones. It just looked so good. It's something you dream about when you are real little but never really think will come true," Kitty Carruthers said after the victory ceremony.

"I guess it's sort of magic. . . . Tonight it was just one of those nights when we looked at each other and knew we could do it," Peter said, adding that they felt their skating had been good enough to allow a glimmer of hope for the gold medal.

But Tamara Moskvina, coach of both Soviet medal pairs from Leningrad, said she did not feel Valova and Vassiliev could have been overtaken by the U.S. couple in the free skating.

"I saw their practices and made my opinion about the contents of their program. They skated very sure of themselves but the program lacked difficulty," Moskvina said.

Blumberg and Seibert stayed in contention for a medal in the ice dancing competition by finishing third Sunday in the original set pattern dance.

The event winds up Tuesday at Zetra arena with the free program. Jayne Torvill and Christopher Dean of Britain seemed assured of a gold in the event after a brilliant performance in the set pattern dance, a paso doble, that earned them four perfect scores of 6.0 — unprecedented in Olympic competition.

Meanwhile Summers, the world champion, is one of the favorites in the women's singles competition, which starts with compulsory Wednesday. She is expected to face stiff competition for the gold medal from Katarina Witt of East Germany and former world champion Elaine Zayak of the United States.

(UPI, AP)

Soviet Union, Czechoslovakia, Canada Reach Hockey Finals

SARAJEVO — The Soviet Union, Czechoslovakia and Canada scored landslide victories Monday to clinch their place in the four-team medal playoffs in the Olympic hockey tournament.

Meanwhile the United States finally won its first game of the tournament, beating Austria, 7-3, behind three goals by Pat LaFontaine. The United States, the defending gold medalists, was eliminated from medal competition after losses to Canada and Finland and a 3-3 tie with Norway.

The heavily favored Soviet team, who had won four consecutive titles prior to the 1980 Winter Games, cruised through a scoreless final period to defeat West Germany, 6-1, in Group A.

The two teams to qualify from Group B were both decided. Canada defeated Norway, 8-1, and Czechoslovakia beat Finland, 7-2. Both teams head their six-nation divisions with a maximum eight points after playing four of their five matches in the round-robin series.

Sweden looked certain to join the Soviet Union as the other Group A qualifying team after it overwhelmed Poland, 10-1. Sweden has seven points, two ahead of the West Germans.

Although the Swedes are expected to lose Wednesday's final group match against the Soviet Union, their 23-goal edge gives them virtu-

ally an unassailable advantage over West Germany. The West Germans will play Italy, which lost, 5-1, to Yugoslavia Monday.

The Soviet Union had been expected to get their first real test from the West Germans, but the Soviet team jumped to a 4-0 lead in the first 12 minutes and coasted. Nikolai Drozdetskiy, their leading scorer in the Olympics, had two goals to pace the Soviet attack.

"I liked the first half of the game," Soviet Coach Victor Tikhonov said. "The team was playing very well and we knew after the first period, with the score we had, that we would be in the finals. . . . I still think our team should play a much better game."

West Germany scored its only goal. Gerd Truntschka beat the Soviet goalie, Vladislav Tretiak, with a shot with two seconds left in the first period to cut the Soviet lead to 4-1.

Canada never did fall behind in its game against Norway. Dave Gagner led the Canadian attack with three goals and two assists. "We wanted to make sure we played solid hockey and didn't slip up," Gagner said. "We came out a little tight and we were afraid to get behind. We knew we should beat Norway but we were nervous. It was such an important game. Conceivably, it can get us into the medals round."

Russ Courtinall and Darren Lowe gave Canada a 2-0 lead in the first period and it was 7-0 before

Norway got its only goal, by Stephen Foy, in the final period. Courtinall had a goal and two as-

Peter Gradin scored four goals to pace the Swedish attack; he now has eight goals in four games. Others scoring for Sweden were Tommy Morth, Thomas Ahlen, Mats Hessel, Peter Hjaln and Thomas Rundquist.

Andrzej Zabawa spoiled goalie Rolf Riddervall's shutout, cutting the Swedish lead to 2-1 on a breakaway at 17:27 in the first period. But Sweden came back with seven unanswered goals in the second period to put the game out of reach.

Mustafa Besic and Matjaz Sekelj scored two goals apiece to lead Yugoslavia to its first victory after three losses.

After a scoreless first period, Cary Farrell scored on a slap shot to give Italy (1-3) the lead just 15 seconds into the middle period. But Yugoslavia came right back 25 seconds later to score. Besic picked up a loose puck in the Italian zone and scored with a shot to goaltender Adriano Tancon's glove side.

Six minutes later, Sekelj skated down the ice from his zone and

shot the puck over Tancon's stick into the upper right corner of the goal to give Yugoslavia the victory.

LaFontaine and his linemate, David A. Jensen, accounted for most of the U.S. scoring against Austria. Jensen added two goals. Ed Olczyk, the third member of the line, had four assists.

The game was close until midway through the final period when the United States erupted for three goals in a two-minute span.

Czechoslovakia struck for three goals in a 3-20 span of the first period to defeat Finland. Arnold Kadlec opened the scoring for Czechoslovakia at 11:27 with a power-play wrist shot from the slot. Frantisek Cernik capped a 2-on-1 break 71 seconds later, and added a shorthanded score at 14:47.

(UPI, AP)

Connors Defeats Leconte in 3 Sets For Indoor Title

MEMPHIS, Tennessee — Top-seeded Jimmy Connors defended his U.S. National Indoor tennis title here Sunday with a 6-3, 4-6, 7-5 victory over Frenchman Henri Leconte.

Leconte lost his serve twice in the opening set but broke Connors in the ninth game of the second before holding serve to level the match.

Connors serving and leading, 30-0, won the first game of the deciding set after being awarded a penalty point and a game point when Leconte collapsed on the court.

"It just came up on me suddenly," Leconte said. "I couldn't see anything and I fell down. They [tournament officials] told me I could default. . . . At first I couldn't walk, I couldn't run and I couldn't stand, but I came back because I had nothing to lose."

Leconte held serve in the next game and the set went with service until the 12th game. At 30-30, Leconte was long with a volley from the net before double-faulting to end the match.

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Top-20 Results

NEW YORK — How the top teams in the Associated Press and United Press International college basketball poll fared last week:

North Carolina (21-1) def. Virginia 85-72; lost to Arkansas 65-64.

Duquesne (38-1) lost to St. Joseph's 58-43; def. Notre Dame 62-54.

Georgetown (21-2) def. Seton Hall 79-64; def. Brigham Young 62-51.

Nebraska (22-1) def. Iowa 77-75; def. San Jose St. 86-74.

Houston (21-3) def. Texas Christian 76-66; def. Texas Tech 74-60.

Kentucky (18-3) def. Mississippi 77-59; def. Auburn 84-64.

Texas-A&M (21-2) lost to San Diego St. 73-62; def. Houston 77-58.

Illinois (19-3) def. Northwestern 73-49; def. Iowa 75-53.

Memphis St. (17-3) def. Florida St. 73-48; Oklahoma (20-3) def. Nebraska 79-67; def. Kansas St. 80-74.

Purdue (17-4) def. Iowa 79-59; def. Northwestern 86-66.

Tulsa (20-2) def. Indiana St. 87-70; def. Southern Illinois 86-76.

Maryland (14-4) lost to Wake Forest 90-87; lost to Duke 89-84.

Wake Forest (17-4) def. Maryland 90-87; lost to North Carolina 84-83.

LSU (16-7) def. Florida St. 75-60; def. Southern Methodist 65-64; lost to Virginia 51-45.

Auburn (14-6) lost to Kentucky 84-64; Wake Forest (17-4) def. Arizona St. 79-61; def. Arizona 54-51.

Georgia Tech (15-7) lost to Virginia 91-59; lost to North Carolina St. 89-67.

Nebraska (15-9) def. C.W. Post 103-84; Louisiana St. (15-6) def. Tennessee 61-59; OT; def. Mississippi 62-61.

Arkansas (19-4) def. Texas A&M 59-58; def. Southern Methodist 80-71; def. North Carolina 65-64.

Temple (18-2) def. Penn St. 81-57; def. St. Bonaventure 77-64.

for his first PGA tour victory since 1981.

Chip Beck closed with a 64 to tie Gil Morgan (a closing 69) for third at 273. Two shots back were Bernhard Langer (68), Calvin Peete (71) and David Edwards (69).

Renner started the final round in a four-way tie for second place, three strokes behind Levi, who was at 15-under-par 201. With four birdies over the final nine holes, Renner had a closing 67 for a 271 total; Levi shot a final-round 70.

Both men parred No. 15, the first playoff hole. Levi missed a 2-foot putt on 16 and then watched Renner make one from 18 inches

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NBA Standings

EASTERN CONFERENCE

Atlantic Division

Boston 39 12 765 1

Philadelphia 32 18 648 6 1/2

New York 30 19 612 8

New Jersey 26 25 578 13

Washington 23 27 460 15 1/2

Central Division

Detroit 27 22 551 —

Milwaukee 26 23 549 1

Atlanta 28 24 538 1 1/2

Chicago 20 28 417 6 1/2

Cleveland 18 31 402 9

Indiana 14 34 292 12 1/2

WESTERN CONFERENCE

Midwest Division

Utah 31 19 620 —

Dallas 27 25 519 5

San Antonio 22 30 422 10

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COMMODITIES

By BOB HAGERTY

Investors Express Cautious Interest In London Index Futures, Options

LONDON — London's financial community is preparing to trade in futures and options on a new stock exchange index. Portfolio managers express cautious interest, but even backers of the project admit that London is unlikely to match the roaring success of index trading in the United States over the past two years.

The London Stock Exchange announced plans Monday to begin trading share index options in early May. The contract is to be based on a 100-share index introduced by the exchange Monday.

The new index is updated minute by minute, unlike the old standard, the Financial Times 30-share index, which is updated once an hour. An up-to-the-minute index is necessary to make futures and options trading attractive. The new index is also designed to be more representative of the market as a whole, and many analysts expect it to supplant the FT index as the most closely watched.

For the record, the 100-share index closed Monday at 1,018.3, up 0.3 on the day. (The exchange used a base index of 1,000, based on the Jan. 3 level.) The FT index slipped 2.4 Monday to close at 803.

The London International Financial Futures Exchange, known as LIFFE, plans to use the new index for a futures contract. Michael Jenkins, chief executive of the exchange, said the new contract should be announced within a few days. The exchange had scheduled an announcement for Monday but canceled it because of a legal hitch.

Index futures and options, normally settled in cash, serve two purposes. They allow speculators to bet on the direction of the market, and they let the more cautious investor hedge his portfolio against an adverse turn in the market.

LIFFE and the stock exchange say their contracts are likely to be complementary. The options are expected to appeal more to the smaller investor or speculator. They are to be priced at \$5 (\$7.10) multiplied by the exercise price of the index option. At the current level, that would amount to \$5,090. The options should provide some competition to the Ladbroke and IG Index betting systems offered by London bookmakers.

The futures contract, on the other hand, is to be much larger and is geared for institutional investors.

The exchange, which is about 16 months old, needs a hot contract, analysts say. It cannot afford to lose ground at this stage, Futures World wrote recently.

Trading Has Evened Out

The futures exchange, which is about 16 months old, needs a hot new contract, most analysts say. "LIFFE, after a period of some stagnation recently, cannot afford to lose ground at this stage," the trade publication Futures World said recently.

The exchange's four foreign exchange contracts have never taken off. Its contracts based on Eurodollars and British government bonds have proved more successful, but the level of trading has evened out in recent months.

Whether the index futures contract will provide a big boost is a matter of debate.

"I think it's just what we've been looking for in this market," said Peter J. Walling, joint deputy managing director of R.P. Martin PLC, a member of LIFFE. He said the experience in the United States, where two index futures are popular, proved the concept.

The most successful of those contracts, the Chicago Mercantile Exchange's Standard & Poor's 500 index, averaged turnover of more than 30,000 contracts a day in 1983. If the London contract "goes half as well as the S&P," Mr. Walling said, "we'll all be very pleased."

Not Overnight Success

But John Tierney, manager of the financial futures division at Continental Bank in London, predicted that the new contract would "not be the overnight success that the exchange needs."

He said London's institutional investors would be slow to use the new hedging tool, wary for proof of its price performance and liquidity. He also noted that speculators — the dominant factor in the U.S. market — were much scarcer in Europe.

In addition, he said, U.S. regulations prohibit U.S. banks from trading stock index futures. That removes a major source of funds; the U.S. banks have been major players in LIFFE's Eurodollar and government bond contracts.

Mr. Tierney and some other futures specialists are more optimistic about the prospects for a U.S. Treasury bond futures contract that LIFFE is expected to announce later this year. European investors are already showing strong interest in that game, he said.

International Herald Tribune

CURRENCY RATES

London interbank rates on Feb. 13, excluding fees. Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2:00 pm EST.

	\$	£	D.M.	F.F.	I.L.	G.M.	S.F.	Yen
Amsterdam	2.095	4.301	112.75	36.46	0.1850	5.508	138.74	132.08
Brussels	36.00	75.575	20.425	6.655	3.206	18.195	25.254	23.91
Frankfurt	2.272	3.882	20.425	26.49	1.023	38.48	122.41	1.148
London	1.716	3.476	11.84	2.312	4.239	79.50	2.179	32.36
Milan	1.650	3.380	61.30	20.05	—	54.17	30.42	75.14
New York	1.625	3.375	61.30	20.05	—	54.17	30.42	75.14
Paris	6.225	11.928	307.78	—	4.00	27.98	15.031	374.53
Tokyo	23.475	231.77	85.55	77.84	13.90	75.86	47.84	105.86
Zurich	2.256	3.174	81.71	26.545	0.1327	72.445	3.9907	0.9540
1 ECU	0.6303	0.5785	2.8441	4.9704	1.38214	2.5399	48.930	1.8455
1 SDR	1.4819	0.734756	2.8594	1.77558	3.2144	38.379	2.5316	26.154

	\$	£	D.M.	F.F.	I.L.	G.M.	S.F.	Yen
Australia	1.475	1.275	1.328	0.8865	0.6972	0.8907	0.8907	2.3315
Austria	13.76	13.76	13.76	13.76	13.76	13.76	13.76	13.76
Belgium	36.00	75.575	20.425	6.655	3.206	18.195	25.254	23.91
Canada	1.327	1.327	1.327	1.327	1.327	1.327	1.327	1.327
Denmark	6.46	6.46	6.46	6.46	6.46	6.46	6.46	6.46
Finland	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94
France	6.225	11.928	307.78	—	4.00	27.98	15.031	374.53
Germany	2.272	3.882	20.425	26.49	1.023	38.48	122.41	1.148
Greece	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Hong Kong	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75

(a) Sterling: 1987 Irish £. (b) Amounts needed to buy one dollar (c) Amounts needed to buy one dollar (d) Units of 100 (e) Units of 1,000 (f) Units of 10. (g) Not quoted; N.A. not available.

INTEREST RATES

Eurocurrency Deposits Feb. 13

	Dollar	D-Mark	Swiss	Shilling	French	ECU	SDR
1M	9 1/4 - 9 1/2	5 1/4 - 5 1/2	3 1/4 - 3 1/2	9 1/4 - 9 1/2	13 1/4 - 13 1/2	9 1/4 - 9 1/2	9 1/4 - 9 1/2
3M	9 1/4 - 9 1/2	5 1/4 - 5 1/2	3 1/4 - 3 1/2	9 1/4 - 9 1/2	13 1/4 - 13 1/2	9 1/4 - 9 1/2	9 1/4 - 9 1/2
6M	9 1/4 - 9 1/2	5 1/4 - 5 1/2	3 1/4 - 3 1/2	9 1/4 - 9 1/2	13 1/4 - 13 1/2	9 1/4 - 9 1/2	9 1/4 - 9 1/2
1Y	10 1/4 - 10 1/2	6 1/4 - 6 1/2	4 1/4 - 4 1/2	10 1/4 - 10 1/2	14 1/4 - 14 1/2	10 1/4 - 10 1/2	10 1/4 - 10 1/2

Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

Key Money Rates

	United States	Close	Prev.	Britain	Close	Prev.
Discount Rate	8 1/2	8 1/2	8 1/2	Bank Rate	9 1/2	9 1/2
Federal Funds	9	9	9	Call Money	9 1/2	9 1/2
Prime Rate	11	11	11	91-day Treasury Bill	8 57/64	8 57/64
Broker Loan Rate	10 1/2	10 1/2	10 1/2	3-month Interbank	9 1/2	9 1/2
Comm. Paper, 30-179 days	9 1/2	9 1/2	9 1/2	6-month Interbank	12	12
3-month Treasury Bills	9 1/2	9 1/2	9 1/2	9-month Interbank	12 1/2	12 1/2
6-month Treasury Bills	9 1/2	9 1/2	9 1/2	12-month Interbank	12 1/2	12 1/2
CDs 30-99 days	9 1/2	9 1/2	9 1/2	12-month Interbank	12 1/2	12 1/2
CDs 100-99 days	9 1/2	9 1/2	9 1/2	12-month Interbank	12 1/2	12 1/2

West Germany

	Close	Prev.
Lombard Rate	5.50	5.50
Overnight Rate	5.50	5.50
3-month Interbank	5.50	5.50
6-month Interbank	6.10	6.10

Japan

	Close	Prev.
Discount Rate	5	5
Call Money	5	5
60-day Interbank	6 1/4	6 1/4

Sources: Commercial Bank of Tokyo, London Bank.

MCI's Future Clouded by Deregulation

By Leslie Wayne

New York Times Service

WASHINGTON — This spring, U.S. television viewers will be blitzed by new commercials from MCI Communications Corp., the long-distance company that has long played David to American Telephone & Telegraph Co.'s Goliath.

In one, a young man prattles on while the telephone bill runs up. AT&T's higher charges and MCI's lower ones. In a second, a tough-talking announcer promises MCI rates "30, 40, and even 50 percent" lower than AT&T's, and a third ad urges consumers to stop "putting off making yourself poorer and AT&T richer."

These commercials drew laughs when shown at a recent gathering of New York securities analysts. But it is serious stuff to MCI, which needs to take business from AT&T to shore up its own faltering growth.

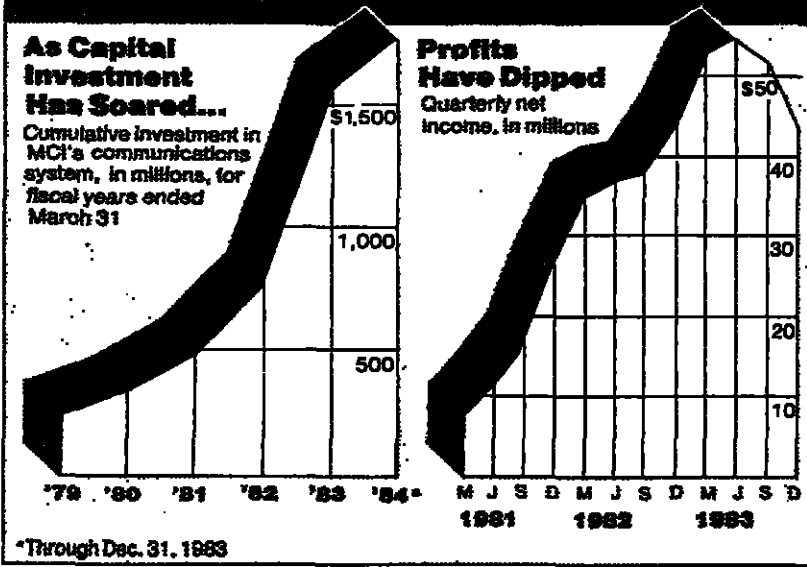
For MCI, the ads can come too soon. By the company's own admission, the next several years will be a far cry from the golden days when MCI doubled its revenue annually and watched its stock grow even faster. "We can't grow at the rate that we once did," said William McGowan, MCI's ebullient chief executive officer, who has battled AT&T for nearly two decades. "There's a rule that no company can be larger than the gross national product."

These days, MCI — whose \$1.5 billion in revenue is in fact a minuscule slice of the GNP — must walk a tightrope between an increasingly aggressive AT&T and even lower-priced startups breaking into the \$45-billion long-distance business.

"This business won't be the bottomless gold mine it's been so far," said Harry Newton, president of Telecom Library, a trade publisher. Added Ulfic Well, an analyst with Morgan Stanley: "They had everything going for them — until recently."

The pummeling of MCI shows up vividly in the stock market. Its shares, which traded as high as \$28 in 1983, sold for around \$10 in

The Problem for MCI



*Through Dec. 31, 1983.

The New York Times

last week's troubled market, a result of dismal third-quarter earnings and grim forecasts of depressed profit for the next two to three years. The company is midway into a huge \$2.5-billion capital spending binge on new technologies that has bloated its costs and shrunk its profits.

The company faces the grim prospect of even tougher competition in the years ahead as the communications industry, like airlines before it, goes through an unsettling period of deregulation and potential overcapacity.

"It won't be great for us from a profit or a margin point of view," conceded V. Orville Wright, MCI's president. Company officials see pretax operating margins falling from the present level 27 percent of revenue to about

16 percent, or even lower, and not reviving until about 1986. Analysts are even gloomier, predicting that profit may fall by as much as 25 percent in fiscal 1985.

All this is in sharp contrast to years gone by, when MCI was a corporate wonder tale: a scrappy underdog that, by dint of hard work, clever use of the regulatory environment, and with the guidance of the visionary Mr. McGowan, pulled itself from the brink of death to become a national long-distance provider with some 1.3 million customers. Its microwave towers can transmit calls to 80 percent of U.S. telephones, and it leases other phone lines to offer service to the rest. By moving first into high-density, intercity markets, MCI challenged AT&T — which has 94

(Continued on Page 13, Col. 1)

OECD Ministers Agree Spending Cuts Needed

By Carl Gewirtz

International Herald Tribune

PARIS — A broad agreement that public spending and government deficits have become excessive marked the opening session Monday of a special two-day ministerial meeting at the Organization for Economic Cooperation and Development.

"That consensus is quite remarkable," a European participant said, adding that "18 months ago it would have been inconceivable."

It remains to be seen whether the conference — a seminar-type discussion of the challenges that governments face in attempting to improve long-term economic performance — will result in anything concrete, such as setting a scale for government spending.

If nothing else, however, the fact that all the governments concur that cutbacks are essential to improved economic performance should make it easier for each to put such measures into effect.

"We are all elected politicians, keenly aware of the political difficulty of spending cuts," said Peter Rees, chief secretary to the British Treasury. "It helps for governments to know how others react and it helps the electorate appreci-

BNOC Chief Sees Oil Prices Stabilizing

Reuters

LONDON — British National Oil Corp.'s chief executive, Ian Goskirk, said Monday that he believed that oil prices had bottomed out in dollar terms and that renewed oil-price stability would be seen worldwide in the next several years.

Mr. Goskirk said at an investment seminar organized by the brokerage Wood MacKenzie & Co. that there was also evidence of demand bottoming out. He pointed to the increases in demand reported for the last two quarters of 1983.

Non-OPEC oil production is probably approaching its peak, he said, despite the prospect of more output from areas such as the North Sea.

Any increase in world oil demand later this year is likely to be met by members of the Organization of Petroleum Exporting Countries, Mr. Goskirk said.

He said an expected improvement in oil demand toward the end of 1984 should keep OPEC intact, leading into a period of sustained growth over the next several years.

Mr. Goskirk said that attempting to estimate potential increases in oil prices was impractical in the current market.

Texaco, Getty Clear Hurdle

The Associated Press

WASHINGTON — The Federal Trade Commission, as expected, tentatively approved the largest U.S. corporate merger ever Monday, voting to allow Texaco Inc. to buy Getty Oil Co. for \$10.1 billion.

Shortly afterward, Texaco announced from its White Plains, New York, headquarters that it had bought all 35.1 million Getty shares submitted under terms of its tender offer for \$4.49 billion. That left only about 3 million publicly held Getty shares outstanding, which Texaco is expected to buy shortly.

Texaco also holds contracts allowing it to buy the 41.7 million Getty shares held by the Sarah C. Getty Trust and the J. Paul Getty Museum for \$128 apiece.

The commission voted 4-1 to allow the takeover, although it will require Texaco to sell some facilities to satisfy antitrust concerns, the FTC's chairman, James Miller, said.

The agreement requires Texaco to divest itself of oil refineries in Kansas and New Jersey as well as 1,900 service stations and other facilities in the Northeast and Midwest.

Texaco will also have to guarantee crude-oil supplies to independent refiners in California for five years and must provide access to customers of a Getty-owned oil pipeline for 10 years.

Ford Reports It Had '83 Profit Of \$1.87 Billion

The Associated Press

DEARBORN, Michigan — Ford Motor Co. said Monday that it earned \$1.87 billion, or \$10.29 a share, in 1983, ending three consecutive years of deficits. The performance boosted the U.S. auto industry's combined earnings to a record.

For 1982, Ford reported a loss of \$657.8 million.

The automaker earned \$781 million, or \$4.29 a share, in the fourth quarter, in contrast to a loss of \$236 million a year earlier.

Ford's revenue for the year climbed 20 percent to \$44.5 billion from \$37.1 billion a year earlier. For the quarter, sales rose 35 percent to \$12.4 billion from \$9.17 billion.

The report by the No. 2 U.S. automaker pushed 1983 earnings for the two biggest car companies in the United States to \$5.57 billion, compared with the \$3.21 billion earned by the whole industry in 1982 and previous industry record of \$5.18 billion set in 1977.

"Ford's 1983 profit improvement of \$2.5 billion represents the largest one-year turnaround from a loss position in U.S. corporate history," said Philip Caldwell, chairman and chief executive officer.

"This achievement was made possible by a combination of higher industry sales, a strong reception



Philip Caldwell

of our new cars and trucks, and the cumulative effect of several years of productivity improvements and restructuring actions," Mr. Caldwell said in a news conference.

General Motors Corp. said last week that it earned \$3.7 billion, or \$11.84 a share, in 1983, a company record for one year.

Chrysler Corp. and American

(Continued on Page 11, Col. 1)

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New York Banks Closed

NEW YORK — The New York Federal Reserve Bank and many New York banks, as well as the U.S. government-securities market, were closed Monday for a holiday.

Declines led advances 13 to 4.

The Big Board volume of 78.5 million shares, down from 92.2 million Friday, was the slowest since 71.3 million Jan. 3.

The Dow Jones industrial average, down 17 at mid-afternoon after gaining 7.96 Friday, fell 10.57 to 1,150.13, the lowest level since it finished at 1,145.32 April 12, 1983. The Dow, a 36.53 loser last week, has slid 136.51 since hitting 1,286.64 Jan. 6.

The Dow transportation average dropped 6.74 to 507.81 and the Dow utilities average lost 1.54 to 125.63.

BUSINESS BRIEFS

Kodak Posts Sharply Lower Earnings For 1983 but Calls Outlook Hopeful

ROCHESTER, New York (Reuters) — Eastman Kodak Co. reported significantly lower fourth-quarter and 1983 results Monday but said it expected increased sales and sharply higher earnings this year.

Kodak, in commenting on its results and the outlook for 1984, said it had experienced four years of start-up costs for new programs as well as at the same time, four years of a strengthening dollar and global recession. The company said in a statement, however, that it believed these difficulties were largely behind it.

Kodak reported fourth-quarter net income of \$117.4 million or 70 cents a share, down almost 64 percent from \$320.7 million, or 1.94 a share, a year earlier. Sales fell 15 percent to \$2.57 billion from \$3.03 billion. For all of 1983, Kodak had earnings of \$565.3 million or \$3.41 a share, down almost 52 percent from the \$1.16 billion, or \$7.12 a share, of 1982. Sales were \$10.17 billion, down about 6 percent from 1982's \$10.81 billion.

Dresdner Board Member to Resign

FRANKFURT (Reuters) — Manfred Meier-Prechany, a member of the Dresdner Bank management board, will ask to be relieved of his duties at the supervisory board meeting April 3, the bank said Monday.

Banking sources said Mr. Meier-Prechany was viewed at one time as a possible candidate to succeed Hans Friderichs as Dresdner's management board chairman if Mr. Friderichs left the bank because of charges in the Flick tax affair.

However, the sources said that Mr. Meier-Prechany had recently been mentioned less as a successor and that another board member, Wolfgang Koller, was now the leading candidate.

France Approves Loan to Renault

PARIS (Reuters) — The government's Industrial Modernization Fund approved a 750-million-franc (\$89-million) loan to state-owned Renault, a government source said Monday.

The fund also is due to decide soon on a 500-million-franc loan request from Peugeot SA, industry sources said.

The sources said the Renault loan, to be used for developing a more fuel-efficient car, is expected to be approved by the industry minister, Laurent Fabius, this week. It will carry an interest rate of 9.75 percent and be for five, seven or ten years.

Comex, Sydney Market Discuss Link

SYDNEY (Reuters) — The Sydney Futures Exchange and the New York Commodity Exchange are discussing a trading relationship or linkage in gold-futures trading, the Sydney exchange said Monday.

A linkage proposal is being developed and an agreement between the Sydney exchange and the Comex has been reached to hold further exclusive negotiations, it said.

The initial objective would be to permit traders to offset or establish gold futures positions on either exchange, which would effectively double trading hours for the Comex 100-ounce contract, it said.

Xerox Sets Up Financial-Service Unit

STAMFORD, Connecticut (Reuters) — Xerox Corp. has established a financial-services organization and named Melvin Howard, formerly chief financial officer, as president of the new division, the company said Monday.

Mr. Howard was also named corporate executive vice president. He previously held the title of senior vice president and has been closely associated with Xerox's expansion into financial services.

The financial services organization will include the insurance concern Crum & Forster Inc. and the investment banking institution Van Kampen Merritt Inc., both acquired over the past year, and Xerox Credit Corp., established in 1979.

Continental Illinois Begins Probe

CHICAGO (AP) — Continental Illinois Corp. has begun an internal investigation of three former top executives for a possible conflict of interest in transactions with Marvin Davis, a Denver oilman, a bank spokesman said Monday.

The bank said it is conducting an internal audit of assignments of interests in Western oil and natural gas properties to the three executives, George R. Baker, Gerald K. Bergman and James C. Cordell, by Davis Oil Co. of Denver.

A spokesman for the bank said the three former vice presidents of Continental Illinois National Bank & Trust Co. failed to disclose their interest in the oil properties even though Davis Oil was a customer of the bank with a multimillion-dollar line of credit.

Ford Earned \$1.87 Billion

(Continued from Page 9)

Motors Corp. are to announce their results later this month.

The big gains came just three years after the U.S. auto industry reported record losses totaling \$4.2 billion. Ford had a loss of \$1.55 billion in 1980, a sum exceeded only by Chrysler's record \$1.7 billion.

"Profits for 1983 substantially exceeded those earned in 1979 — the last year of profitability before the recession — despite the fact that our million units lower than in 1979," Mr. Caldwell said.

Ford had staggering losses in 1980 and 1981, of \$1.55 billion and \$1.06 billion, respectively. The losses came at the height of the U.S. auto slump and would have been worse for Ford had its overseas operations not been profitable.

The company's last profitable year was 1979, just before the start of the slump, when it earned \$1.17 billion.

Automotive industry analysts have estimated that Chrysler sailed past its record year-end earnings of \$422.6 million in 1976. It earned \$582.6 million in the first three quarters of 1983.

AMC officials have said the No. 4 carmaker earned a profit for the fourth quarter, but they have made no estimate for the year as a whole. AMC has posted 14 consecutive quarters of deficits.

The other two major automakers in the United States, Volkswagen of America Inc. and Honda of America Manufacturing Inc., do not report earnings separate from their parent companies in West Germany and Japan.

EIB to Offer Eurobond Of 250 Million DM

FRANKFURT — The European Investment Bank is raising 250 million Deutsche marks (\$91.3 million) marks through a 10-year bullet Eurobond that is lead managed by Deutsche Bank, bond market sources said Monday.

The issue carries fixed terms of an 8-percent coupon and is priced at par.

Whitney Sells 2 Publications

NEW YORK — Whitney Communications Corp. has agreed to sell Interior Design magazine and Corporation Design magazine to Cahners Publishing Co., the U.S. publishing arm of London-based Reed International PLC, Whitney said Monday. The terms were not disclosed.

Growing Surplus Seen in Germany

COLOGNE — West Germany's current account surplus is expected to grow to 12 billion Deutsche marks (\$4.38 billion) this year and the trade surplus to 30 billion DM, the German Economics Institute said Monday.

The accounts showed provisional surpluses of 8.4 billion DM and 42 billion DM, respectively, last year. The trade measure measures only merchandise, while the current account also includes such nonmerchandise items as services.

The institute, which is owned by employers' associations, estimated that exports would rise more than 5 percent this year, against a provisional 0.5 percent increase in 1983.

Lotus Banks on 'New Generation' to Keep Its Software Lead

By David E. Sanger

New York Times Service

CAMBRIDGE, Massachusetts — In scarcely a year, Lotus Development Corp. has done for the world of personal-computer software what International Business Machines Corp. has done for personal computers: Created a product so widely successful that scores of other companies are scrambling to imitate or improve on it.

The company's sole computer program, Lotus 1-2-3, is an "office productivity" tool that quickly seized the position last year as the hottest-selling software package in the United States.

In its first full year of operation, Lotus earned \$14.3 million on sales of \$53 million. About two-thirds of all U.S. companies buying business microcomputers last year chose 1-2-3 for making complex financial projections and displaying the results instantly in computer-generated pie charts, bar charts and other graphic displays.

Analysts have been consistently enthusiastic about Lotus since the company went public four months ago. But no maker of personal-computer software has managed to market two runaway hits in a row. For Lotus, poised at the edge of what many expect is an imminent shakeout in the software market, producing that second product is considered crucial if it is to maintain the momentum generated by 1-2-3.

The test was to begin in earnest Tuesday, when Lotus was to introduce Symphony, a much-anticipated successor to 1-2-3. The new program, which is not expected to be marketed until June, includes not only financial management and graphics, but word processing and a facility for transmitting and receiving data over telephone lines.

While none of those functions is unheard of in personal computers, Symphony appears to be a significant improvement in "integrated" software, or programs that combine many of the most popular applications for a personal computer. On a single floppy disk, Lotus has managed to combine all of the most popular applications.

For example, stock data could be retrieved by telephone and analyzed through a Lotus "spreadsheet," which enables users to manipulate long rows of interrelated figures for financial projections. The results could then be put instantly into a letter or a report, alongside charts to further highlight a trend.

And the program contains one feature likely to surprise the industry: It makes use of "windows" that split the screen into several segments, allowing a user to see his letter, spreadsheet and a graph, for example, at the same time. The user can move from one to the other with the press of a button.

"It moves us to a second generation of software," said Michelle Preston, an analyst for L.F. Rothschild, Unterberg, Towbin.

Nonetheless, Symphony's success is far from assured. Scores of other software houses are rushing to market with integrated products, and Symphony may be Lotus's only chance to crack the word-processing market, one of the most popular uses for personal computers.

"We think there is no question we can do it," said Mitchell Kapor, Lotus's president and an ex-disc jockey. "We are running so fast because there's a pack of people chasing us."

Many expect 1984 will be the year of the long-awaited software shakeout, as last year was for home computers and video games.

Miss Preston said: "The best estimate these days is that 90 percent of the revenues from software sales are being generated by fewer than 10 companies. They can't all last."

Lotus's hottest competition may come from Mr. Kapor's former employer, VisiCorp, whose Visicalc electronic spreadsheet included some of the most powerful tools for financial analysis.

Lotus displaced Visicalc as the leading spreadsheet, and two weeks ago VisiCorp retaliated by cutting the price of its Visi-On "applications manager," which enables users to work with several different kinds of computer programs at once, to \$95, from \$495.

While Visi-On itself is just part of a bigger, more expensive package, Lotus stock, which had risen as high as \$40, more than twice its initial price in October, dropped

sharply on the news, but recovered to \$36.25 by Friday's close.

Still, a long-term price war like the one that devastated the home computer market seems less likely in software, traditionally less price sensitive because it is bought largely by companies and professionals willing to spend money for more functions.

"Anyone who extrapolates from the experiences of Osborne and Victor Technologies to software," Mr. Kapor said, referring to two personal computer makers now in bankruptcy, "isn't being very sophisticated. Those were suicides, not murders."

By the time Symphony is available, similar programs will be also, such as Ovation, from Ovation Technologies Inc., and a revised version of Corporate MBA, developed by Context Management Systems. Lotus is expected to lose market share, but at the same time the market itself will be expanding fast.

If Symphony matches 1-2-3's success, the company could find itself atop the business microcomputer-software market, estimated to reach \$3 billion in 1985. Moreover, it could exceed analysts' estimates that the company will triple in size this year, to earnings of \$40 million on sales of \$165 million.

But if Symphony failed, either because the company fails to deliver it on time, or because the company grows so quickly that it loses its competitive edge, Lotus might never regain its current status.

"It is an industry unforgiving of

mistakes," Mr. Kapor said. "But if we are going to make a mistake, it will be a creative one that no one has done before."

Few expect Mr. Kapor, who is 33, to trip up. Along with Jonathan Sachs, also a developer of 1-2-3, he headed the small team that developed Symphony in the company's offices here in a converted factory building that once housed a distinctive low-tech enterprise: Ashton Valve Co., a maker of steam-pipe fittings. Working in modern glassed-in offices that are in stark contrast to the building's old, rough red-brick walls, they developed a program that combined the popularity of word processing with the power of the electronic spreadsheet.

Most important are the word processing features, which for the first time make Lotus a competitor in that area.

Lotus must convince companies choosing word-processing programs that it makes sense to write

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450	11,001.25	11,001.25	11,001.25
500	11,501.25	11,501.25	11,501.25
550	12,001.25	12,001.25	12,001.25
600	12,501.25	12,501.25	12,501.25
650	13,001.25	13,001.25	13,001.25
700	13,501.25	13,501.25	13,501.25
750	14,001.25	14,001.25	14,001.25
800	14,501.25	14,501.25	14,501.25
850	15,001.25	15,001.25	15,001.25
900	15,501.25	15,501.25	15,501.25
950	16,001.25	16,001.25	16,001.25
1,000	16,501.25	16,501.25	16,501.25

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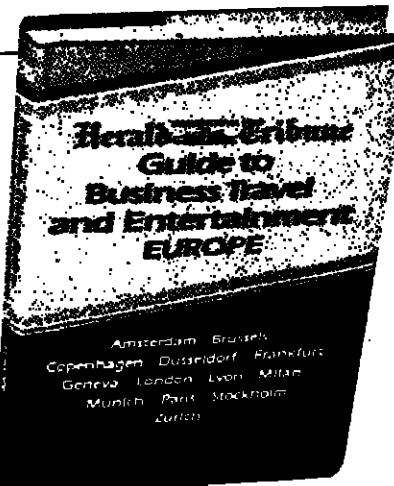
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More of a readers' World Tribune

West German Insolvency Law Called Unfair, Overhaul Sought

By Paul Mylrea

FRANKFURT—As more and more companies seek court-supervised debt settlements to avoid full bankruptcy, known in West German law as "Verfahren," criticism is growing of West German insolvency law.

Bankers see themselves as often paying for the faults of management while receivers interviewed by Reuters complain that West German law offers companies little hope of survival.

Both see an urgent need for a radical overhaul of insolvency law to bring it into line with modern business conditions and international practice.

A government commission in the Justice Ministry is studying the insolvency law. But a ministry spokesman said its report will not be ready until after May this year.

when a working party will start to develop specific proposals for changes.

The major target of criticism is court-supervised debt settlement to avoid full bankruptcy, known in West German law as "Verfahren," and often translated as composition proceedings.

This last-ditch attempt to stave off bankruptcy made news in August 1982, when AEG-Telefunken AG applied for composition in the biggest corporate insolvency since the World War II. AEG is now proving to be one of the success stories of composition proceedings, with the company expected to report it broke even in 1983 after operating losses of 932 million Deutsche marks (\$339.9 million) in 1982.

IBH, however, was unable to pay the required quota of its debts and in December a court rejected its bid

for debt settlement, spelling bankruptcy.

Although applications for composition are becoming more frequent, the success rate remains low. Latest figures from the Federal Statistics Office show 138 applications for composition proceedings in the first 11 months of 1983, seven more than in the like period of 1982.

But Wilhelm Andreas Schaff, receiver for AEG and the bankrupt IBH unit, Wibau AG, said: "In my experience, only a small percentage, around 10 percent, do achieve restructuring."

A West German bank economist said: "The obstacles to a settlement are just too big."

In composition, a court-appointed receiver tries to agree with creditors on paying off part of debts while the company continues trading.

To file for composition, a com-

pany must have enough funds to finance current business. It must then pay 35 percent of debts in a year or 40 percent in 18 months to complete the settlement successfully and the rest has to be written off by creditors.

A company can file for a settlement only when it is overindebted or unable to meet obligations, which in many cases is too late to attempt a rescue, bankers said.

"We need a law which will allow firms to survive. What we have is one which just makes death easier," said a senior bank economist.

One suggestion is that it should be easier for companies to file for settlement earlier.

These suggestions would bring West German law more closely into line with British, where companies can go into voluntary liquidation. Although industry sources in

Britain see evidence that creditors and shareholders there are short-changed by companies going into liquidation sooner than is necessary, insolvency specialists estimate that reconstituted companies form around 2 percent of new company registrations, which last year totaled about 60,000.

But some economists are worried that easier composition would bring West German practice nearer Chapter 11 of U.S. Bankruptcy Act, whereby a company files for court protection from creditors while it works out a way to pay its debt.

That practice was criticized after Manville Corp. filed for reorganization in August 1982, saying it was forced to do so to protect itself from thousands of legal claims by workers suffering from asbestos-related health problems.

Houston, Coastal Agree To End Bids

Reuters

HOUSTON—Houston Natural Gas Corp. said it and Coastal Petroleum Corp. agreed to terminate their tender offers for each other's stock.

Houston Natural said it also would end a tender offer for its own shares and that all litigation between the two companies would be dismissed.

Houston Natural said it would buy the 2,075,500 shares of its common owned by Coastal at \$60 a share and would also reimburse Coastal \$15 million for expenses incurred by Coastal, for a total of \$139.5 million.

This would total about \$42 million more than the \$97.4 million that Coastal paid for the shares, which it bought at an average \$46.95 a share.

Industry analysts said there might be a joint announcement late Monday, and speculation was that it might involve a standstill agreement under which both sides would agree not to buy the other's stock.

But they cautioned that final details of the agreement have not yet been worked out, and the settlement might be subject to some delay.

Coastal had purchased the Houston Natural shares on the open market before initiating its tender offer for 45 percent of Houston Natural's common last Jan. 27.

Houston Natural said that it and Coastal agreed not to purchase each other's stock or seek to influence each other's affairs for five years.

Gulf Threatens to Buy 49% of Self to Halt Bid

By Robert J. Cole

New York Times Service

NEW YORK—Gulf Oil Corp., backing a takeover bid by T. Boone Pickens Jr., has warned that if the investor group led by the Mesa Petroleum Co. chairman got 51 percent of Gulf's shares, the company might use \$6 billion in bank credits to buy the rest, turning itself into a financial cripple.

Gulf made the threat Sunday after having announced Friday that it had uncovered a plan by the Pickens group to offer cash for enough shares to gain control of Gulf and then pay "securities of questionable value" for the rest. Gulf later sued the group in U.S. District Court in Delaware, accusing it of market manipulation.

Gulf made public copies of a fund-raising document dated Feb. 1 and marked "confidential," in which the Pickens group, which owns 13.2 percent of Gulf, sought help from rich investors to gain control of it.

The document proposed buying 61.3 million Gulf shares at \$55 apiece, or nearly \$3.4 billion in cash. The two blocks would total 51 percent. The remaining Gulf shares would be bought by junior subordinated debentures and preferred stock. Gulf would then be managed by Mesa. Gulf shares closed Friday at \$54.125 on the New York Stock Exchange, off 2.825 cents.

Mr. Pickens said Friday, and reiterated Monday, that his group had not decided to make a tender offer for Gulf.

James L. Murdy, executive vice president of Gulf, said: "If we let

his plan go through, our stockholders will end up holding \$4.5 billion of paper supported by only \$762 million of equity held by the present investor group. Shareholders who get stuck with this paper will be junior to \$5.7 billion of debt held by banks, insurance companies and the new investor group."

Drexel Burnham Lambert, adviser to the Pickens group along with Lehman Brothers, Kuhn Loeb, is understood to have delivered offering documents, known on Wall Street as a "private placement," to a carefully controlled list of qualified investors.

Although banks often lend money at less than the prime rate, the interest they supposedly charge their best customers, Mr. Pickens is offering senior note holders (most likely bank lenders) 3 percentage points above the prime rate as an inducement to join the group.

Part of the plan, as outlined in the confidential document, would call for the sale of Gulf's assets and possibly the "complete liquidation of the company" two to three years from the completion of the tender offer. Depending on the timing, the document said, "investors would realize a compound annual rate of return on investment of from 2.7 percent to 38.1 percent if all assets were sold by the end of 1986."

If the tender offer were not consummated, an insert to the document said, investors would get 15 percent of any increase obtained by the Pickens group.

If the group won control of 51 percent, Gulf said it might use its \$6 billion to assure that the rest of the stockholders received cash, too.

U.S. Telephone Deregulation Is Clouding MCI's Outlook

(Continued from Page 9)

percent of the long-distance market—and took 3 percent of market share. (Those who have followed MCI into the business—GTE's Sprint, U.S. Telephone, Allnet, and others—share the rest.)

MCI has made a sport of challenging AT&T—and winning. The collision course began the day Mr. McGowan, the workaholic son of a Pennsylvania railroad unionizer, came upon Microwave Communications of America, a tiny Illinois company that was nearly broke but had one valuable asset—an inexpensive scheme to transmit telephone calls by microwave and offer discounts to corporations. That brought MCI straight into the path of AT&T, with its \$5 billion customer base. MCI fought AT&T's hold on long distance in the courts—winning a \$1.8-billion judgment, which is now on appeal, against the giant communications giant. MCI's right to connect with Bell's local network.

There was joy in the MCI offices when AT&T ended a seven-year-old Justice Department antitrust suit by agreeing to divest itself of its local Bell operating companies on

Jan. 1, 1984. That opened an important door for MCI—the settlement made certain it would eventually be as easy for consumers to use MCI's services as AT&T's. "Diversification changed our world," said Mr. McGowan, whose office overlooks Washington.

But it may not be all for the better. "MCI was jubilant with the AT&T settlement," said Mr. Weil. "Now it may not look so good." The AT&T breakup opened the floodgates for low-priced upstarts to rush into long-distance services and give MCI stiff new competition. Many predict price-slashing to follow as too many providers chase too few customers. And, MCI's costs of running its calls through the local Bell companies have risen—and will rise again as MCI's local connections are brought on a par with AT&T's.

Still, MCI has vowed not to increase prices, and, indeed, it can not. As a legacy of the 73 years of its monopoly, AT&T has technologically superior connections with the local Bell companies that carry the local leg of long-distance calls. As a result, users of MCI—and other long-distance providers like

GTE-Sprint—must make do with inferior service.

MCI customers, for instance, must use long phones as opposed to rotary dials and must dial as many as 12 extra digits to make a call. This has limited MCI's appeal to big-ticket commercial users and means that MCI must provide deep price discounts from AT&T in order to attract a customer base.

Divestiture made it possible for all long-distance carriers to offer services as simple as AT&T's. But the wiring of that transformation is taking place in phases and will not be completed until 1986. Until then, MCI will continue to pay less than AT&T—it currently pays 55 percent less—in access charges to the local Bell companies. But MCI's access costs will rise to AT&T's levels when MCI's local connections are upgraded and MCI becomes easier to use. Analysts predict that this will force MCI—which has made its name on low rates—to raise prices and has caused some to question whether customers will even bother switching to MCI.

MCI believes otherwise. "What's significant is that we will finally have a level playing field with AT&T," Mr. McGowan said, "and we'll be able to attract as much business as we can handle." He feels he can still undercut AT&T's prices—and steal its customers—because MCI's costs will continue to be lower. MCI is not burdened by long-standing labor contracts and it is building a newer and more efficient long-distance network.

Many see trouble ahead: Over-

capacity and suicidal price wars are the inevitable outgrowth of deregulation. Prices have come down in the airline industry, in trucking, and in the brokerage industry when rules restricting competition were lifted. Many say there is no reason to assume that long-distance service will be different, especially since all providers are selling the same basic commodity. What is more, MCI and its competitors are adding capacity as fast as they can to a long-distance network that already provides service to all corners.

Joel Blocke, a senior manager with McKinsey & Co., predicts that in telecommunications, like other deregulated industries, prices will be set by small, low-cost entrants, not by much undercut MCI. "What's

important is that the new entrants don't cut prices 5 percent or 10 percent, they cut them 40 percent or 50 percent."

Monday's AMEX Closing

Vol. of 4 p.m. 6,718,000
Prev. 4 p.m. Vol. 7,258,000

Tables include the nationwide prices. Up to the closing on Wall Street

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Occidental Mulls Selling Some Libyan Interests

Reuters

NEW YORK—Occidental Petroleum Corp. is considering selling half of its 49 percent equity interest in Libya's oil operations to unidentified European interests, industry sources said Monday.

An Occidental spokesman would neither confirm nor deny industry reports that Occidental's chairman, Armand Hammer, had approached the European interests about the sale. But industry sources said the European parties involved are Austrian, Finnish and Swedish.

The sources said Occidental received an initial cold response to the idea from President Moammar Gadhafi.

Although the sources could not say whether the European interests were public or private, they said Mr. Gadhafi has been approached with the proposal by Austrian diplomats.

The Occidental spokesman said Occidental's share of Libyan oil output fell in 1983 to an average 98,000 barrels a day from the 111,000 barrels a day pumped in 1982.

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By order of the Board of Directors.

